

## COMPANY ANNOUNCEMENT

### Malta International Airport plc (the “Company”)

#### Announces approval of Financial Statements, Dividend Proposal and new CEO appointment.

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Date of Announcement	25 February 2015
Reference	197/2015
In terms of Chapter 5 of the Listing Rules	LR 5.16.4/LR 5.16.5/LR 5.16.21

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#### QUOTE

##### **Approval of Annual Financial Statements**

At a meeting of the Board of Directors of the Company held on 24<sup>th</sup> February 2015, the Board of Directors approved the financial statements of the Company for the financial year ended 31<sup>st</sup> December 2014. A preliminary statement of annual results is being attached herewith in terms of the Listing Rules. The financial statements are available for viewing on the Company’s website ([www.maltairport.com](http://www.maltairport.com)).

##### **Dividend**

At the same meeting the Board of Directors approved a further gross dividend of €0.123077 (net €0.08 ) per share be paid to all shareholders on the register of members after settlement as at close of business on Monday 20<sup>th</sup> April 2015 and payable by not later than Monday 8<sup>th</sup> June 2015. This, together with the interim dividend already paid of a gross dividend of €0.0461538 (net €0.030) per share affected on the 12<sup>th</sup> of September 2014 shall be proposed to the shareholders as a final dividend for the financial year ended 31<sup>st</sup> December 2014. Based on the current 135,300,000 shares of the company, this is equivalent to a gross final dividend of €0.1692308 (net €0.11).

##### **Annual General Meeting**

The Directors have also scheduled the Annual General Meeting of the Company for Wednesday 20<sup>th</sup> May 2015. Shareholders on the registry of members at the Central Securities Depository as at close of business on Monday 20<sup>th</sup> April 2015 shall be eligible to receive notice, attend and vote at the Annual General Meeting and to receive a copy of the Business Report with the notice.

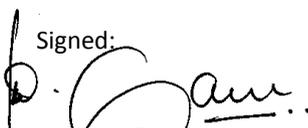
##### **New CEO Appointment**

The Company hereby announces that Mr Alan Borg has been confirmed as the new Chief Executive Officer of Malta international Airport plc, with effect as of today Tuesday 24<sup>th</sup> February 2015. Mr Borg succeeds former CEO Markus Klaushofer.

Mr Borg has been a key player in making Malta and the airport better connected. He began his career as a manager in Airline Marketing and was quickly promoted to Head of Airline Marketing. He later served as General Manager of SkyParks Business Centre and in 2012 was appointed Chief Commercial Officer and Executive Director of Malta International Airport plc

#### UNQUOTE

Signed:

  
Louis de Gabriele  
Company Secretary

# **Malta International Airport p.l.c.**

C 12663

## **Annual Report and Financial Statements**

31 December 2014

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# Malta International Airport p.l.c.

## General Information

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*Directors:* Nikolaus Gretzmacher (Chairman)  
Alan Borg (Chief Executive Officer)  
Austin Calleja (Chief Financial Officer)  
Cory Greenland  
Karl Dandler  
Youssef Sabeh

*Company secretary:* Dr. Louis de Gabriele LL.D.

*Registered office:* Malta International Airport,  
Luqa,  
Malta.  
Tel. (+356) 21 249 600

*Country of incorporation:* Malta

*Company registration number:* C 12663

*Auditor:* Deloitte Audit Limited,  
Deloitte Place,  
Mriehel Bypass,  
Mriehel,  
Malta.

*Legal advisors:* Camilleri Preziosi Advocates,  
Level 2 - Valletta Buildings,  
South Street,  
Valletta,  
Malta.

## **Directors' report**

Year ended 31 December 2014

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The directors present their report together with the audited financial statements for the year ended 31 December 2014.

### **Principal activities**

The Company's principal activities are the development, operation and management of Malta International Airport. Malta International Airport plc has a 65 year concession to operate Malta's airport, a concession which commenced in July 2002. Malta International Airport plc has three 100% owned subsidiaries; Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. Airport Parking Limited operates all the car parks situated on the land leased to Malta International Airport plc and Sky Parks Development Limited and Sky Parks Business Centre Limited run the Sky Parks Business Centre building. Malta International Airport plc also set up five other subsidiaries; Kirkop PV Farm Limited, Luqa PV Farm Limited, Gudja PV Farm Limited, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited with the intention to explore opportunities in the generation of electricity using photovoltaic technologies. However, none of the five subsidiaries set up for this purpose traded in 2014.

Malta International Airport plc also has a 10% shareholding interest in Valletta Cruise Port plc, a company set up to develop the Valletta Waterfront and operate a cruise liner terminal at the Grand Harbour.

### **Performance review**

#### ***Traffic***

Passenger traffic at Malta International Airport in 2014 continued to register a series of record months with passenger movements rising by 6.4% to reach 4.29 million. This performance was partially a result of an increase of 4.8% in seat capacity as well as the introduction of new routes or the increase in frequency of existing routes, by current carriers. Passenger growth was also a result of better utilisation of seat capacity. The overall seat load factor reached a record 79.7%, an increase of 1.2 percentage points over last year.

Aircraft movements reached 32,247 or 4.9% more than last year whilst cargo and mail handled throughout the year reached 15,547 tonnes or 3.1% less than the previous year.

Air Malta registered a 1.2% drop in passenger movements following an overall 1.9% decrease in seat capacity. The suspension of services to Tripoli and Benghazi as from July 2014 was one of the main reason for this decrease. The airline however, was able to partially recover traffic lost from this market by shifting seat capacity to a number of other routes. Second largest airline Ryanair achieved a similar performance to that of last year despite having dropped seat capacity following the termination of the Seville and Valencia routes.

#### ***Financial results***

The revenue of the Group increased significantly in 2014 from €58.8 million in 2013 to €64.3 million an increase of €5.5 million or 9.4%. The Airport Segment increased by €3.4 million from €41.3 million to €44.7 million. The Retail and Property Segment also increased by €2.0 million from €17.1 million to €19.1 million.

## **Directors' report (continued)**

Year ended 31 December 2014

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### *Financial results (continued)*

The increase in revenue was largely due to the increase in passenger traffic as well as to new rental income both from SkyParks Business Centre as well as from other areas within the airport perimeter.

The Earnings before Interest, Taxation Depreciation and Amortization (EBITDA) of the Group increased by 13.2%; from €29.89 million to €33.84 million and the EBITDA margin increased from 50.8% to 52.6%. There was also an increase in profit before tax. Profit increased from €22.7 million to €26.1 million, an increase of 15.0%. The total comprehensive income for the year attributable to shareholders net of tax for the Group also increased from €14.5 to €16.8 million, an increase of 15.9% over the previous year.

The good financial results of the Group for 2014 match those of the previous year and were driven by another substantial increase in volume of traffic. At the same time, the Group maintained a strict watch on its cost base, mindful of the constant challenges the aviation industry faces worldwide and especially in Europe.

### *Revenues*

Revenues from the airport segment constitute 69.4% of the total revenues of the Group (2013 – 70.2%). Aviation-related revenues remain the most important income stream of the Group albeit the dependency on this revenue has for the first time fallen below 70% of total revenue in line with the Group's strategy.

The revenues from the Retail and Property Segment increased by 11.8%. As mentioned earlier, this significant increase in revenue is mainly due to the rental income from SkyParks Business Centre as well as from the increase of passenger traffic resulting in retail sales. The revenues from Retail and Property Segment constitute 29.7% (2013 – 29.1%) of the total revenue of the Group.

### *Operating and other costs*

The other operating costs of the Group were higher than those of 2013 by almost €1 million or 4.4%. In fact, Operating costs went up from €20.4 million to €21.3 million but the increase cannot be pinpointed to any particular area and is somewhat spread evenly throughout the entire cost centres of the Group.

As regards non-operating costs and revenues, there was a 17% increase in the depreciation charge for the year, from €5.6 million to €6.5 million but a decrease of 9.1% in finance costs, from €2.5 million to €2.3 million. As regards the depreciation cost, the increase is largely due to the further investment made in the airport infrastructure whilst the decrease in the finance costs are due to changes in the interest rate.

### *SkyParks Business Centre*

The SkyParks Business Centre building which was completed in 2012 was fully rented out for almost the entire year 2014. The revenues generated by this building in 2014 were €2.6 million; this was higher than previously anticipated.

## Directors' report (continued)

Year ended 31 December 2014

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### *Outlook*

Home carrier Air Malta is projected to maintain seat capacity at same levels deployed during 2014 and is expected to focus its schedule on routes to the main hubs. During 2015 we will also welcome four new airlines; Finnair will improve our connectivity to Scandinavia with the start of scheduled flights from Helsinki; Jet2.com operating five routes to Malta will continue to strengthen our core market, the United Kingdom; Swiss will operate flights from Zurich as from July whilst the Greek private airline Aegean will introduce flights from Athens. A number of airlines will also deploy additional seat capacity in 2015. Turkish Airlines shall increase its Istanbul schedule from seven to ten weekly flights as from March whilst NIKI shall add another weekly frequency on the Vienna route to operate four times a week as from April. Brussels Airlines which in 2014 operated flights only during the peak summer months will now be extending its twice weekly flight schedule to a full summer season.

Growth is also expected through the Cruise & Fly operation which shall commence in April, two months earlier when compared to 2014. Air Berlin who operates most of its summer programme on behalf of TUI, shall also introduce a second weekly flight from Stuttgart.

The International Air Transport Association (IATA) recently announced an outlook for improved industry profitability in its Air Transport Industry report released in December. IATA is expecting airline profitability to improve after oil prices have fallen substantially in recent months and this is also expected to continue into 2015. IATA however warned that whilst the industry story is largely positive, there still are a number of risks in today's global environment and highlighted political unrest, conflicts and some weak regional economies. Global trade representative ACI (Airports Council International) was also very cautious with its projections for the coming year. In a statement released in January it warned that looking forward into 2015 two forces are at play working in opposite directions. On the one hand, the recent decrease in oil price is likely to contribute positively to the continued increases in passenger numbers. On the other hand, economic growth rates among certain emerging markets have diverged with Russia experiencing a recession, and the Euro area continuing to teeter towards a recession. Thus, a number of downside risks remain on the horizon in 2015.

Nevertheless our outlook for 2015 is still optimistic albeit mindful of the risk involved. We are therefore forecasting an increase in seat capacity whilst maintaining the same levels for seat load factor to achieve an overall 2.0% increase in traffic over 2014.

### **Share capital**

The share capital of the Company is €33,825,000 divided into three classes of shares as follows:

- 81,179,990 Ordinary 'A' Shares representing approximately 60% of the total issued share capital;
- 54,120,000 Ordinary 'B' Shares representing 40% of the total issued share capital; and
- 10 Ordinary 'C' Shares.

All shares issued have a nominal value of €0.25, are fully paid up and allotted.

The ordinary "A" Shares are admitted to the official list of the Malta Stock Exchange, whilst the ordinary "B" and ordinary "C" Shares are not admitted or traded on an exchange.

The Ordinary 'A' Shares and Ordinary 'B' Shares shall entitle their holders to the same rights, benefits and powers in the Company save for the transferability thereof. The Ordinary 'A' Shares shall be freely transferable whilst the Ordinary 'B' Shares are non-transferable for a period of fifteen (15) years from the 26 July, 2002, upon which date they shall automatically become fully and freely transferable without the need of any formality.

## **Directors' report (continued)**

Year ended 31 December 2014

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### **Share capital (continued)**

The Class 'C' Share is held by and in terms of the memorandum of Association may only be held by the Government of Malta. It does not carry any right to receive dividends or assets on a winding up or other return of capital, but entitles the Government of Malta to appoint members on the National Interest Matters Committee pursuant to article 58.10 of the Articles of Association of the Company.

Save for the above there are no other restrictions attaching to the shares of the Company.

No changes in the share capital of the Company were made nor did the Company acquire ownership of, or any rights over, any portion of its own share capital.

The following shareholders have an interest in more than 5% of the issued share capital of the Company:

Malta Mediterranean Link Consortium Ltd  
Government of Malta – Consolidated Fund  
VIE (Malta) Ltd

### **Appointment and replacement of directors**

The Board of Directors of the Company is made up of a maximum of eight (8) directors. Five (5) directors are Non-Executive Directors and a maximum of three (3) directors, amongst whom the CEO, are Executive Directors.

Any shareholder holding not less than 20% of the issued share capital of the Company having voting rights is entitled to appoint one director for each 20% shareholding by a letter addressed to the Company. In this respect Malta Mediterranean Link Consortium Limited is entitled to appoint two (2) Non-Executive Directors and the Government of Malta is entitled to appoint one (1) Non-Executive Director. The remaining Non-Executive Directors are appointed by the shareholders in general meeting pursuant to the Articles of Association.

Unless appointed for a longer term, a director holds office from one Annual General Meeting to the next and is eligible for re-appointment. The maximum period for which a director may be appointed is a term of three (3) years, following the lapse of which such director shall be eligible for re-appointment.

In terms of the Articles of Association, the CEO of the Company shall occupy one of the Executive Director positions. The other Executive Directors to be co-opted to the Board are the Chief Finance Officer and the Chief Commercial Officer.

### **Powers of directors**

The directors of the Company have all the powers necessary to manage and direct the Company.

The Company is empowered to buy-back any of its shares, subject to the limitations and restrictions at law and the listing rules.

Subject to the authority of shareholders, to be given at five (5) year intervals, the directors are also empowered to issue further shares in the Company.

## Directors' report (continued)

Year ended 31 December 2014

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### Financial result and dividends

The financial result of the Group and the Company for year ended 31 December 2014 are shown in the Statement of Comprehensive Income on page twenty. The total comprehensive income of the Group for the year after taxation amounted to € 16,760,770 (2013: €14,466,283).

The largest single customer of the Group, Air Malta plc, which is currently going through a restructuring process, accounts for €3.2 million (2013 – €1.0 million) of the Group's trade and other receivables at year end and 31.0% (2013 – 34.5%) of the Group's revenue.

The maximum exposure to this customer during a period of increased trading, in particular in the summer months at normal credit terms, is expected to be in the region of €3.6 million (2013 – €4.4 million). The Board feels confident that the Group's and the Company's exposure to Air Malta plc will not jeopardize in any way the Group's ability to continue operations for the foreseeable future and that Air Malta plc will meet its obligations.

Further to the net interim dividends paid of €4,059,000 (gross €6,244,615), the Board of Directors is recommending the payment of a final net dividend of €0.08 per share (gross €0.123077) on all shares settled as at close of business on 20 April 2015 which dividend shall be paid not later than the 8 June 2015.

### Directors

The directors who served during the year were:

Mr Nikolaus Gretzmacher (Chairman);  
Mr Michael Hoeferer (Non-Executive Director) (ceased to be a director on 22 May 2014)  
Mr Youssef Sabeh (Non-Executive Director);  
Mr Michael Bianchi (Non-Executive Director); (ceased to be a director on 24 June 2014)  
Mr Alfred Quintano (Non-Executive Director);  
Mr Karl Dandler (Non-Executive Director); (appointed on the 22 May 2014)  
Mr Markus Klaushofer (CEO and Executive Director);  
Mr Austin Calleja (CFO and Executive Director);  
Mr Alan Borg (CCO and Executive Director)

During the financial year, Mr Michael Hoeferer resigned from his position as a Non-Executive Director with effect from 22 May 2014. Mr Michael Bianchi resigned from his position as a Non-Executive Director with effect from 24 June 2014. Mr Karl Dandler was appointed Non-Executive Director on the 22<sup>nd</sup> May 2014.

After the end of the financial year, Mr Markus Klaushofer ceased to be the CEO of the Company on 21 January 2015 and consequently also ceased to be an Executive Director of the Company as from that date. Alan Borg was appointed CEO "ad interim" with effect from the same date, that is, 21 January 2015. Mr Alfred Quintano, a director appointed by the Government of Malta in accordance with the provisions of the memorandum and articles of association, ceased to be a Non-Executive Director of the Company with effect from 13 February 2015. The Government of Malta appointed Dr Cory Greenland, in his stead with effect from the same date.

In accordance with paragraph 56.1 of the Company's Articles of Association all the present directors are to retire at the forthcoming Annual General Meeting. The appointment of the new directors will take place in accordance with paragraphs 55 and 56 of the same Articles of Association at the Annual General Meeting.

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Malta International Airport p.l.c.

## **Directors' report (continued)**

Year ended 31 December 2014

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### **Directors' interests in material contracts**

None of the current directors had a direct or indirect interest in any material contract to which the Company or the Group was a party during the financial year.

### **Auditor**

A resolution to reappoint Deloitte Audit Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

### **Going concern**

After reviewing the Company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 24 February 2015 and signed on its behalf by:



*Nikolaus Gretzmacher*  
**Chairman**



*Alan Borg*  
**Chief Executive Officer**



*Austin Calleja*  
**Chief Financial Officer**

## Statement of directors' responsibilities

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The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss of the Company and the Group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules the financial statements give a true and fair view of the financial position of the Company and its Group as at 31 December 2014 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with Listing Rules the directors' report includes a fair review of the performance of the business and the financial position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Austin Calleja  
Chief Financial Officer  
obo/directors

## Corporate Governance – Statement of Compliance

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### 1. Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Malta International Airport p.l.c. (the “Company”) should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the “Code”). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules, but recommends principles of good practice. However, the directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors’ and the Company’s commitment to a high standard of governance.

The Board of Directors (the “Board”) has carried out a review of the Company’s compliance with the Code for the financial year being reported upon, namely the year ended 31 December 2014.

### 2. General

The directors believe that good corporate governance is a function of a mix of checks and balances that best suit the Company and its business. Accordingly, whilst there are best practices that can be of general application the structures that may be required within the context of larger companies are not necessarily and objectively the best structures for companies whose size and/or business dictate otherwise. It is in this context that the directors have adopted a corporate governance framework within the Company that is designed to better suit the Company, its business and its size whilst still ensuring proper checks and balances.

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company’s requirements and designed to ensure the existence of adequate checks and balances within the Company, whilst retaining an element of flexibility.

In general the directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company’s requirements.

This corporate governance statement (the “Statement”) will now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement will give an explanation for non-compliance.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code’s main principles, and the Code Provisions.

### 3. Compliance with the code

#### *Principles One to Five*

*These principles deal fundamentally with the role of the Board and of the directors.*

## Corporate Governance – Statement of Compliance (continued)

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### *Principle One*

The directors believe that for the period under review the Company has generally complied with the requirements of this principle and the relative code provisions.

The Board has throughout the period under review provided the necessary leadership in the overall direction of the Company and has adopted systems whereby it obtains timely information from the Chief Executive Officer (the “CEO”) as the head of the Executive Committee to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the Board. The Company has a structure that ensures a mix of executive and Non-Executive Directors that enables the Board, and particularly the Non-Executive Directors to have direct information about the Company’s performance from the head of executive management that is also a director on the Board.

### *Principle Two*

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the Chairman. Whilst the CEO heads the Executive Committee, the Chairman’s main function is to lead the Board, a function which the Board believes has been conducted in compliance with the dictates of Code Provision 2.2.

The CEO is accountable to the Board of the Company for all business operations. He has the power and authority to appoint the persons to fill in the post of each member of the Executive Committee. He also has the discretion to ask any one or more of such members, from time to time, to address the Board on matters relating to the operations of the Company and its Subsidiaries. The Board, of course, is entitled to call in, at its discretion, any one or more of the executives of the Company.

### *Principle Three*

The full complement of the Board, in line with Principle Three is of five (5) Non-Executive Directors and three (3) Executive Directors, a balance that is entrenched in the Company’s Memorandum and Articles, which requires that the CEO is an ex officio director together with a maximum of two other senior executives of the Company. The presence of top executives on the Board is designed to ensure that all the members of the Board, including Non-Executive Directors, have direct access at meetings of directors to the individuals having the prime responsibility for day to day operations and executive management of the Company and to the implementation of policies that allow effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner.

The members of the Board for the year under review were:

Mr Nikolaus Gretzmacher (Chairman);

Mr Michael Hoeferer (ceased to be a director of the Company on 22 May 2014);

Mr Youssef Sabe (Non-Executive Director);

Mr Michael Bianchi (Non-Executive Director); (ceased to be a director of the Company on 24 June 2014);

Mr Alfred Quintano (Non-Executive Director);

Mr Karl Dandler (Non-Executive Director) (appointed as a director of the Company on the 22 May 2014) and

Mr Markus Klaushofer (CEO and Executive Director);

Mr Austin Calleja (CFO and Executive Director);

Mr Alan Borg (CCO and Executive Director)

## Corporate Governance – Statement of Compliance (continued)

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Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board.

The Board normally meets every eight (8) weeks and as a matter of Board policy, a guideline was established whereby at its first meeting, meetings will be scheduled for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Committees, notably the Executive Committee and the Audit Committee which operate under their respective formal terms of reference. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

For the purposes of Code Provision 3.2, requiring the Board to report on whether it considers each Non-Executive Director as independent in line with the requirements of that Code Provision, the Board considers each of the Non-Executive Directors as independent within the meaning of the Code.

Save for what is stated hereunder, none of the Non-Executive Directors:

- (a) are or have been employed in any capacity by the Company;
- (b) has or has had a significant direct or indirect relationship with the Company
- (c) receive significant additional remuneration from the Company;
- (d) have close family ties with any of the executive members of the Board;
- (e) has served on the Board for more than twelve consecutive years;
- (f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company or any Company forming part of the same group; and
- (g) have a significant business relationship with the Company.

Mr Nikolaus Gretzmacher, Mr Karl Dandler and Mr Youssef Sabeh (Non-Executive Directors) are currently members of the Board of Directors of Malta Mediterranean Link Consortium Limited, a Company holding more than 40 per cent of the issued and voting capital of the Company. Notwithstanding the above relationship the Board still considers Mr Gretzmacher, Mr Dandler and Mr Sabeh, as having the required skills, experience and integrity to retain their independence and impartiality in acting as directors of the Company.

### ***Principle Four***

In terms of Principle Four it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst these are matters which are reserved for the Board to determine within the Group, the Board believes that this responsibility includes the appropriate delegation of powers to management and the organization of the executive team in a manner that is designed to provide high levels of comfort to the directors that there is proper monitoring and accountability apart from appropriate implementation of policy. The Board's link to the Executive Committee is principally the CEO, together with the other two Executive Directors on the Board, both of whom are member of the Executive Committee.

The Executive Committee comprises both the Executive Directors and the heads of each business unit of the Group. The role of the Executive Committee is that of policy execution, business development, finance, security, administrative and personnel matters. It also makes recommendations to the Board on matters which are beyond its remit. The Chief Executive Officer chairs the Executive Committee.

## Corporate Governance – Statement of Compliance (continued)

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The members of the Committee for the period under review were:

*Mr Markus Klaushofer – Chief Executive Officer*

*Mr Austin Calleja – Chief Financial Officer*

*Mr Alan Borg – Chief Commercial Officer*

*Mr Patrick Cuschieri – Security*

*Major Martin Dalmas – Airport Operations*

*Mr George Mallia – Retail and Property*

*Mr Ian Maggi – Innovation, ICT and Procurement*

*Ms Vicki Brown - Projects*

*Ms Christine Camilleri – Human Resources*

*Mr Michael Lombardi – Technical Facilities*

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives. Regular budgets and strategic plans are prepared, which are incorporated into a Company strategic plan. Performance against these plans is actively monitored and reported to the Board.

In view of the number of members of the Board, the directors believe that its size is manageable to be able to address most issues as a Board rather than create sub-committees of the Board that may be more suitable in the case of companies having larger Boards. Indeed the Board feels that its size and membership allows directors the opportunity to discuss matters directly and that this is a more effective and efficient manner to conduct its business. The directors however are aware that there may be situations that require the delegation to certain committees of certain tasks or assignments and the Board has on occasion composed *ad hoc* committees for this purpose.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and external auditors.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

During the financial year under review, the Board held six meetings.

### ***Principle Five***

The Board believes that it complies fully with the requirements of this principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time for directors to prepare themselves for such meetings.

### ***Principle Six***

#### ***Principle Six of the Code deals with information and professional development***

The CEO is appointed by the directors and enjoys the full confidence of the Board. The CEO, although responsible for the selection of the Executive Committee and the recruitment of senior executives, consults with the directors on the appointment of senior executives. The Board is satisfied that the current schemes for executive compensation are designed to render the Company an attractive proposition for the retention of top executives within the Company and to motivate the Executive Committee.

## **Corporate Governance – Statement of Compliance (continued)**

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The Board intends to organise professional development sessions for directors and executives designed specifically to enable them to discharge their functions more efficiently and in line with the high standards expected of them. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company.

### ***Principle Seven***

#### ***Principle Seven of the Code deals with an evaluation of the Board's performance***

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1.

### ***Principle Eight***

#### ***Principle Eight A of the Code deals with the establishment of a remuneration committee for the Company aimed at developing policies on executive remuneration***

The Company has no performance related remuneration payable to its Non-Executive Directors and accordingly, as allowed by Code Provision 8A.2, it has not appointed a Remuneration Committee, but rather establishes itself the remuneration policies of the Company. In so far as senior executives are concerned it is the Non-Executive members of the Board itself that establish the policies and decides on the performance related remuneration of senior executives and its Executive Directors.

The Board notes that the organizational set-up of the Company and the size of the Board itself, together with the fact that Non-Executive Directors are not entitled to performance related remuneration, does not, in the opinion of the directors, warrant the establishment of a Remuneration Committee. Remuneration policies have therefore been retained within the remit of the Board itself, and as already stated in the case of the Executive Directors, it is the Non-Executive members of the Board that decide on their performance related remuneration.

The directors believe that certain committees that are suggested in the Code are either not required by the Company or the functions of a number of committees may efficiently be merged or undertaken by the Board itself. In addition, the Board believes that its size and composition is sufficient for the proper direction and management of the Company and its business and that there would be no value added to the Company and its shareholders to increase the number of Board members simply to be able to have separate committees of the Board – when the same functions can properly be undertaken by the Board itself. The directors will retain the need of such committees under review and as in the past, may appoint ad hoc committees of directors to deal with specific issues as and when these arise.

The aggregate amount of remuneration paid to all directors, including salaries paid to the CEO, CFO and CCO amount to €665,132. For the purposes of the provisions of article 63 of the Company's articles of association, the aggregate emoluments paid to the directors is €403,112 which is within the amount approved by the shareholders of €465,875 for the purpose of that article.

#### ***Principle Eight B - This principle deals with the requirement of a formal and transparent procedure for the appointment of directors.***

The Board believes that the main principle has been duly complied with, in that it is the Articles of Association themselves that establish a formal and transparent procedure for the appointment of directors. The Articles however do not contemplate the existence of a Nominations Committee as suggested by the Code.

## Corporate Governance – Statement of Compliance (continued)

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### *Principles Nine and Ten*

#### *Principles Nine and Ten of the Code deal with relations with shareholders and with the market, and institutional shareholders*

The Board is of the view that over the period under review the Company has communicated effectively with the market through a number of Company announcements that it published informing the market of significant events happening within the Company.

The Company also communicates with its shareholders through the Annual General Meeting where the Board communicates directly with shareholders on the performance of the Company over the last financial year and to inform shareholders of the challenges that lie ahead.

Business at the Company's Annual General Meeting (AGM) will cover the approval of the annual report and the audited financial statements, the declaration of a dividend, if any, the election of directors, the determination of the maximum aggregate emoluments that may be paid to directors, the appointment of auditors and the authorisation of the directors to set the auditors' remuneration. Any other matter that may be placed by the directors before the Annual General Meeting will be dealt with as 'special business'.

Apart from the AGM, the Company has continued to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors' statements which are also published on a six-monthly basis, and by Company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood. The Company's website ([www.maltairport.com](http://www.maltairport.com)) also contains information about the Company and its business which is a source of further information to the market.

### *Principle Eleven*

#### *Principle Eleven deals with conflicts of interest and the principle that directors should always act in the best interests of the Company.*

The Board has established procedures on how conflicts are to be handled, if and when they arise. A director having a personal conflict on any matter is bound to inform the other members of the Board of such a conflict whether it is an actual, potential or a perceived conflict. It is then the other members of the Board that would decide on whether there exists such a conflict, actual or potential. By virtue of the Memorandum and Articles, in the event that, in the opinion of the Board such a conflict exists then the conflicted director is invited to leave the meeting when it proceeds to the vote, if any, on the matter concerned. As a matter of practice discussions of such matters are normally conducted in the absence of the conflicted director. The Board feels that this is a procedure that achieves compliance with both the letter and the rationale of principle eleven.

Commercial relationships between the Company and other companies are related by way of common directors and shareholders ("Related Party Transactions"). Contracts are entered into in the ordinary course of business with shareholders and other parties in which the directors have a beneficial interest. Terms and conditions of contracts negotiated with related parties are reviewed by the Company's Audit Committee. Full disclosure of Related Party Transactions entered into during the financial year under review is made in note 33 to the financial statements.

## Corporate Governance – Statement of Compliance (continued)

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The following directors have declared their interests in the share capital of the Company:

**Director**

Nikolaus Gretzmacher            a non-beneficial interest<sup>1</sup>  
Karl Dandler                        a non-beneficial interest<sup>2</sup>  
Youssef Sabeh                      a non-beneficial interest<sup>3</sup>

Austin Calleja                      a beneficial interest

Michael Bianchi                    an indirect beneficial interest

No other director has a beneficial or non-beneficial interest in the Company's share capital.

### *Principle Twelve*

*Principle Twelve encourages directors of listed companies to adhere to accepted principles of corporate social responsibility.*

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

## 4. Non-Compliance with Code provisions

The directors set out below the code provisions with which they do not comply and a careful explanation as to the reasons for such non-compliance:

<b>Code Provision</b>	<b>Explanation</b>
2.1	Whilst the Company has segregated the functions of the Chairman and the CEO, in that the two posts are occupied by different persons, the division of responsibilities between them has not been established in writing, although there is significant experience and practice that determines the two roles.
4.3	For the purposes of Code Provision 4.3, whilst the Board reports that for the year under review it has not organised any information sessions as set out in that provision, during its meetings the Board regularly discusses the Company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.
7.1	The Board believes that the size of the Company and the Board itself does not warrant the proliferation of several committees. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad hoc committee for this purpose. The Board shall retain this matter under review over the coming year.

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<sup>1</sup> These shares are held by MMLC, a company of which Mr Gretzmacher is a director

<sup>2</sup> These shares are held by MMLC, a company of which Mr Dandler is a director

<sup>3</sup> These shares are held by MMLC, a company of which Mr Sabeh is a director

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## Corporate Governance – Statement of Compliance (continued)

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Code Provision	Explanation
	Having conducted an informal review of its own performance over the period under review it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills.
8B	<p>The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Non-Executive Directors be appointed by a shareholding qualification to the Board. The Executive Directors are, in accordance with the Articles, appointed by the Non-Executive Directors after their appointment as aforesaid. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint directors pursuant to the Articles of Association.</p> <p>The Board intends to keep under review the utility and possible advantages of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.</p>
9.3	The memorandum and Articles of Association does not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances.

### THE AUDIT COMMITTEE

As part of its corporate governance structures the Company has an Audit Committee in line with the requirements of the Listing Rules. Unlike the provisions of the Code which are not mandatory in nature, the directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The principal role of the Audit Committee is the monitoring of internal systems and controls. During the course of the period under review the Board established the Audit Committee under formal terms of reference designed both to strengthen this function within the Company and to establish the scope of the duties and responsibilities of this Committee. The Committee consists of the three (3) Non-Executive Directors, namely Mr Nikolaus Gretzmacher (Chairman), Mr Youssef Sabeh (Member), Mr Alfred Quintano (Member). The Committee has the power and authority under its terms of reference to summon any person to assist it in the performance of its duties. The directors believe that Mr Nikolaus Gretzmacher is independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. The directors believe that Mr Nikolaus Gretzmacher satisfies the independence criteria as he is independent within the meaning of the Code as explained above in this Statement.

## **Corporate Governance – Statement of Compliance (continued)**

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When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

In the period under review the Audit Committee has held six meetings.

### **5. Internal Control**

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Auditors on a regular basis.

The key features of the Company's system of internal control are as follows:

#### **Organisation**

The Company operates through the CEO and Executive Committee with clear reporting lines and delegation of powers.

#### **Control Environment**

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

#### **Risk Identification**

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. In addition, through regular checks the internal auditors test the Company's internal control systems and processes and make recommendations to management and the audit committee on any deficiency in such systems.

### **6. General Meetings**

The general meeting is the highest decision making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the directors and the auditors, the election of directors, the appointment of auditors and the fixing of remuneration of directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "Special Business".

## Corporate Governance – Statement of Compliance (continued)

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Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the Company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such purpose.

The directors' statement of responsibilities for preparing the financial statements is set out on page 8.

Approved by the Board of Directors on 24 February 2015 and signed on its behalf by:



*Nikolaus Gretzmacher*  
Chairman



*Alan Borg*  
Chief Executive Officer



*Austin Calleja*  
Chief Financial Officer

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Company Ref No: C51312  
VAT Reg No: MT2013 6121  
Exemption number: EXO2155

## Independent auditor's report on Corporate Governance Statement of Compliance

to the members of  
**Malta International Airport p.l.c.**

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Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Corporate Governance Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Corporate Governance Statement of Compliance.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the Company's or the Group's system of internal control or its corporate governance procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 9 to 18 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.



Bernard Scicluna as Director  
In the name and on behalf of,  
**Deloitte Audit Limited**  
Registered Auditor

24 February 2015

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## Statements of Comprehensive Income

Year ended 31 December 2014

	Notes	The Group		The Company	
		2014 EUR	2013 EUR	2014 EUR	2013 EUR
Revenue	5	64,290,433	58,788,522	61,137,746	56,589,413
Staff costs	11	(9,128,861)	(8,463,322)	(8,904,413)	(8,211,281)
Depreciation	14,15	(6,533,218)	(5,582,322)	(5,615,740)	(4,811,317)
Other operating expenses	9	(21,316,984)	(20,434,141)	(20,600,399)	(19,628,319)
Release of deferred income arising on the sale of terminal buildings and fixtures	24	208,765	208,765	208,765	208,765
Finance income	7	849,993	693,811	962,465	693,811
Finance costs	8	(2,306,805)	(2,538,444)	(1,396,790)	(1,547,486)
Profit before tax		26,063,323	22,672,869	25,791,634	23,293,586
Income tax expense	12	(9,234,546)	(8,085,144)	(9,099,687)	(8,279,687)
<b>Profit for the year attributable to the ordinary equity holders of the Company</b>		<b>16,828,777</b>	<b>14,587,725</b>	<b>16,691,947</b>	<b>15,013,899</b>
<b>Other comprehensive income / (expense)</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net gain on available-for-sale financial assets	17	8,913	1,766	8,913	1,766
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Actuarial losses on defined benefit pension plans	25,26	(118,339)	(189,550)	(118,339)	(189,550)
Deferred tax credit	12	41,419	66,342	41,419	66,342
		(76,920)	(123,208)	(76,920)	(123,208)
<b>Other comprehensive expense for the year attributable to the ordinary equity holders of the Company, net of tax</b>		<b>(68,007)</b>	<b>(121,442)</b>	<b>(68,007)</b>	<b>(121,442)</b>
<b>Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax</b>		<b>16,760,770</b>	<b>14,466,283</b>	<b>16,623,940</b>	<b>14,892,457</b>
<b>Earnings per share attributable to the ordinary equity holders of the Company</b>	30	<b>12.44cents</b>	10.78cents	<b>12.34cents</b>	11.10cents

## Statements of Financial Position

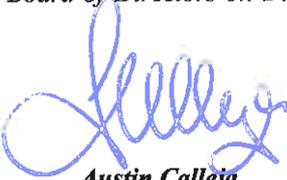
31 December 2014

	Notes	The Group		The Company	
		2014 EUR	2013 EUR	2014 EUR	2013 EUR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	96,441,938	97,400,230	95,936,648	96,851,513
Investment property	15	18,642,271	18,203,441	-	-
Investment in subsidiaries	16	-	-	9,600	9,600
Available-for-sale financial assets	17	1,184,154	1,069,546	1,184,154	1,069,546
Loans and receivables	18	-	-	6,600,000	-
Deferred tax assets	19	3,593,385	3,473,806	3,548,712	3,430,626
		<b>119,861,748</b>	<b>120,147,023</b>	<b>107,279,114</b>	<b>101,361,285</b>
<b>Current assets</b>					
Inventories	20	827,659	861,473	827,659	861,473
Trade and other receivables	21	14,283,514	11,920,130	12,534,563	14,839,010
Cash and short term deposits	29	30,726,466	29,178,589	28,890,583	27,975,424
		<b>45,837,639</b>	<b>41,960,192</b>	<b>42,252,805</b>	<b>43,675,907</b>
<b>TOTAL ASSETS</b>		<b>165,699,387</b>	<b>162,107,215</b>	<b>149,531,919</b>	<b>145,037,192</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to ordinary shareholders of the Company</b>					
Share capital	27	33,825,000	33,825,000	33,825,000	33,825,000
Other reserve	28	1,325,397	1,374,042	1,325,397	1,374,042
Fair value reserve	28	17,158	8,245	17,158	8,245
Retained earnings		38,455,666	31,776,471	39,405,031	32,862,666
<b>Total equity</b>		<b>73,623,221</b>	<b>66,983,758</b>	<b>74,572,586</b>	<b>68,069,953</b>
<b>Non-current liabilities</b>					
Bank loans	23	57,098,140	59,554,563	43,148,104	44,929,527
Deferred income	24	6,227,489	6,538,261	6,204,866	6,515,638
Provision for retirement benefit plan	25	3,828,974	4,070,876	3,828,974	4,070,876
Provision for MIA benefit plan	26	163,645	115,930	163,645	115,930
		<b>67,318,248</b>	<b>70,279,630</b>	<b>53,345,589</b>	<b>55,631,971</b>
<b>Current liabilities</b>					
Trade and other payables	22	21,255,758	20,883,297	18,860,859	17,902,063
Bank loan	23	2,456,423	2,346,423	1,781,423	1,846,423
Current tax liabilities		1,045,737	1,614,107	971,462	1,586,782
		<b>24,757,918</b>	<b>24,843,827</b>	<b>21,613,744</b>	<b>21,335,268</b>
<b>Total liabilities</b>		<b>92,076,166</b>	<b>95,123,457</b>	<b>74,959,333</b>	<b>76,967,239</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>165,699,387</b>	<b>162,107,215</b>	<b>149,531,919</b>	<b>145,037,192</b>

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2015 and signed on its behalf by:

  
Nikolaus Gretzmacher  
Chairman

  
Alan Borg  
Chief Executive Officer

  
Austin Calleja  
Chief Financial Officer

## Statements of Changes in Equity

Year ended 31 December 2014

### The Group

#### Equity attributable to ordinary shareholders of the company

	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
<b>Balance at 1 January 2013</b>	<b>33,825,000</b>	<b>1,422,687</b>	<b>6,479</b>	<b>27,091,067</b>	<b>62,345,233</b>
Adjustment to retained earnings arising from changes in actuarial assumptions on defined benefit pension plans	-	-	-	(382,951)	(382,951)
Profit for the year	-	-	-	14,587,725	14,587,725
Other comprehensive income/ (expense)	-	-	1,766	(123,208)	(121,442)
Total comprehensive income for the year	-	-	1,766	14,464,517	14,466,283
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(9,471,000)	(9,471,000)
<b>Balance at 31 December 2013</b>	<b>33,825,000</b>	<b>1,374,042</b>	<b>8,245</b>	<b>31,776,471</b>	<b>66,983,758</b>
	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
<b>Balance at 1 January 2014</b>	<b>33,825,000</b>	<b>1,374,042</b>	<b>8,245</b>	<b>31,776,471</b>	<b>66,983,758</b>
Profit for the year	-	-	-	16,828,777	16,828,777
Other comprehensive income/ (expense)	-	-	8,913	(76,920)	(68,007)
Total comprehensive income for the year	-	-	8,913	16,751,857	16,760,770
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(10,147,500)	(10,147,500)
<b>Balance at 31 December 2014</b>	<b>33,825,000</b>	<b>1,325,397</b>	<b>17,158</b>	<b>38,455,666</b>	<b>73,623,221</b>

## Statements of Changes in Equity

Year ended 31 December 2014

The Company	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
<b>Balance at 1 January 2013</b>	<b>33,825,000</b>	<b>1,422,687</b>	<b>6,479</b>	<b>27,751,088</b>	<b>63,005,254</b>
Adjustment to retained earnings arising from changes in actuarial assumptions on defined benefit pension plans	-	-	-	(382,951)	(382,951)
Profit for the year	-	-	-	15,013,899	15,013,899
Other comprehensive income/ (expense)	-	-	1,766	(123,208)	(121,442)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,766</b>	<b>14,890,691</b>	<b>14,892,457</b>
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(9,471,000)	(9,471,000)
<b>Balance at 31 December 2013</b>	<b>33,825,000</b>	<b>1,374,042</b>	<b>8,245</b>	<b>32,862,666</b>	<b>68,069,953</b>
	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
<b>Balance at 1 January 2014</b>	<b>33,825,000</b>	<b>1,374,042</b>	<b>8,245</b>	<b>32,862,666</b>	<b>68,069,953</b>
Profit for the year	-	-	-	16,691,947	16,691,947
Other comprehensive income/ (expense)	-	-	8,913	(76,920)	(68,007)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>8,913</b>	<b>16,615,027</b>	<b>16,623,940</b>
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(10,147,500)	(10,147,500)
<b>Balance at 31 December 2014</b>	<b>33,825,000</b>	<b>1,325,397</b>	<b>17,158</b>	<b>39,405,031</b>	<b>74,572,586</b>

**Statements of Cash Flows**

Year ended 31 December 2014

	Note	The Group		The Company	
		2014 EUR	2013 EUR	2014 EUR	2013 EUR
<b>Cash flows from operating activities</b>					
Profit before tax		26,063,323	22,672,869	25,791,634	23,293,586
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	14	6,533,218	5,582,322	5,615,740	4,811,317
Release of deferred income arising on the sale of the terminal building and fixtures	24	(208,765)	(208,765)	(208,765)	(208,765)
Amortisation of European Commission grant	24	(40,255)	(40,255)	(40,255)	(40,255)
Amortisation of Norwegian grant	24	(51,761)	(51,761)	(51,761)	(51,761)
Amortisation of Government grant	24	(9,991)	(9,991)	(9,991)	(9,991)
Interest expense	8	2,306,805	2,538,444	1,396,790	1,547,486
Loss/(gain) on sale of property, plant and equipment		(78,000)	3,129	(78,000)	3,129
Interest income	7	(849,993)	(693,811)	(962,465)	(693,811)
Provision for retirement benefit plan		185,681	131,217	185,681	131,217
Provision for MIA benefit plan	26	46,069	28,757	46,069	28,757
Movement in provision for impairment of trade receivables	20	131,119	(110,330)	74,406	(110,330)
		<u>34,027,450</u>	<u>29,841,825</u>	<u>31,759,083</u>	<u>28,700,579</u>
<i>Working capital movements:</i>					
Movement in inventories		33,814	5,292	33,814	5,292
Movement in trade and other receivables		(2,465,726)	4,972,443	(1,961,333)	1,361,639
Movement in trade and other payables and other financial liabilities		354,838	3,900,415	958,796	4,701,889
Cash flows from operations		<u>31,950,376</u>	<u>38,719,975</u>	<u>30,790,360</u>	<u>34,769,399</u>
Interest paid		(2,306,805)	(2,538,444)	(1,396,790)	(1,547,486)
Income taxes paid		(9,801,037)	(7,109,725)	(9,711,635)	(7,043,748)
Retirement benefit paid		(544,276)	(15,400)	(544,276)	(15,400)
<i>Net cash flows from operating activities</i>		<u>19,298,258</u>	<u>29,056,406</u>	<u>19,137,659</u>	<u>26,162,765</u>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	14,15	(4,746,750)	(4,194,584)	(4,700,875)	(4,155,459)
Purchase of financial assets		(105,695)	(100,000)	(105,695)	(106,000)
Payments for investment property		(1,267,006)	(1,988,311)	-	-
Proceeds from sale of property, plant and equipment		78,000	-	78,000	-
Interest received		849,993	693,811	849,993	693,811
<i>Net cash flows used in investing activities</i>		<u>(5,191,458)</u>	<u>(5,589,084)</u>	<u>(3,878,577)</u>	<u>(3,567,648)</u>
<b>Cash flows from financing activities</b>					
Granting of loan to subsidiary		-	-	(2,350,000)	-
Repayment of bank loans		(2,411,423)	(2,283,923)	(1,846,423)	(1,846,423)
Dividends paid	13	(10,147,500)	(9,471,000)	(10,147,500)	(9,471,000)
<i>Net cash flows used in financing activities</i>		<u>(12,558,923)</u>	<u>(11,754,923)</u>	<u>(14,343,923)</u>	<u>(11,317,423)</u>
<b>Net movement in cash and cash equivalents</b>		<u>1,547,877</u>	<u>11,712,399</u>	<u>915,159</u>	<u>11,277,694</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>29,178,589</u>	<u>17,466,190</u>	<u>27,975,424</u>	<u>16,697,730</u>
<b>Cash and cash equivalents at the end of the year</b>	29	<u>30,726,466</u>	<u>29,178,589</u>	<u>28,890,583</u>	<u>27,975,424</u>

## Notes to the financial statements

31 December 2014

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### 1. CORPORATE INFORMATION

The Company is a public company incorporated and domiciled in Malta whose shares are publicly listed and traded on the Malta Stock Exchange. The principal activities of the Company are the development, operation and management of Malta's airport. On 11 February 2008, the Company set up a wholly-owned subsidiary, Sky Parks Limited, to take over the operations of the car park business. The name of this subsidiary was changed to Airport Parking Limited on the 27 October 2009. Another subsidiary, Sky Parks Development Limited, was set up by the Company on 29 October 2009. The main activity of Sky Parks Development Limited is to manage real estate projects within the land which is currently under the management of the Group. Another subsidiary Sky Parks Business Centre Limited was set up by the Company on 26 April 2012. The principal activity of the subsidiary is to operate the Business Centre within the limits of the airport. On 20 June 2013, the Company set up three wholly-owned subsidiaries, Kirkop PV Farm Limited, Luqa PV Farm Limited and Gudja PV Farm Limited. On 20 September 2013, the Company set up two other wholly-owned subsidiaries, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited. The main activity of these companies is to explore opportunities in the generation of electricity using photovoltaic technologies. The Company and the subsidiaries constitute 'the Group'.

### 2.1 BASIS OF PREPARATION

Under the Companies Act, Cap. 386 of the Laws of Malta, the Company is required to present individual and consolidated financial statements. The financial statements of the Group and the Company have been prepared on a historical cost basis, except for the fair valuation of the available-for-sale financial assets, and are in accordance with International Financial Reporting Standards as adopted by the EU, and comply with the Companies Act, Cap. 386 of the Laws of Malta. The functional currency of the Company is the Euro which is also the presentation currency of the Group. The significant accounting policies adopted are set out below.

#### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of Malta International Airport p.l.c. and its Subsidiaries, as mentioned in note 1 above.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control or from the date of set-up under the control of the Company, and continue to be consolidated until the date such control ceases.

### 2.2 INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD

In the current year, the Company and the Group have applied the following:

- IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and the revised IAS 27 *Separate Financial Statements*, applicable for annual periods beginning on or after 1 January 2014 (with earlier application permitted) for entities applying International Financial Reporting Standards as adopted by the European Union. IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12. IFRS 10 changes the definition of control. IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. The application of IFRS 10, IFRS 12 and the revised IAS 27 did not result in any significant impact on the Company's and the Group's financial statements.

## Notes to the financial statements

31 December 2014

### 2.3 SIGNIFICANT ACCOUNTING POLICIES

#### *Property, plant and equipment*

The Group's and the Company's property, plant and equipment are classified into the following classes – land held as temporary emphyteusis, buildings and furniture, fixtures, plant and equipment.

Property, plant and equipment are initially measured at cost. Such cost includes borrowing costs for long-term construction projects, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Subsequent to initial recognition, buildings are stated at revalued amounts as at the date of the privatisation of the Company in 2002 less any accumulated depreciation and any accumulated impairment losses. Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Every year, the difference between depreciation of buildings based on their fair value on the date of the privatisation of the Company in 2002 and depreciation based on the asset's original cost prior to the original revaluation is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings. Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised.

Land held on temporary emphyteusis relates to the land assigned to the Group and the Company by title of temporary emphyteusis. The value of the land held on temporary emphyteusis is amortised over the remaining term of the lease.

#### *Depreciation*

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss, so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Land held on temporary emphyteusis	-	by equal annual instalments over the remaining term of the emphyteusis
Buildings	-	2% - 4-5% per annum
Furniture, fixtures, plant and equipment	-	10% - 33 1/3% per annum
Investment property	-	5% - 15% per annum

The depreciation method applied, the residual value and the useful life are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### *Properties in the course of construction*

Properties in the course of construction for production, supply or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Properties in the course of construction for future use as investment property are classified as investment property. Existing investment property that is being redeveloped for continued future use as investment property continues to be classified as investment property.

## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Investment property*

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

#### *Borrowing costs*

Borrowing costs include the costs incurred in obtaining external financing and mainly consist of interest on bank loans. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred.

#### *Investments in subsidiaries*

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in subsidiaries in the separate financial statements of the Company are accounted for on the basis of the direct equity interest and are stated at cost less any provisions for impairment, where in the opinion of the directors, any impairment in value has taken place. Dividends from the investment are recognised in profit or loss.

#### *Other financial instruments*

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

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when the Group entities have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### *(i) Trade and other receivables*

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Other financial instruments (continued)*

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Group and the Company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value except for investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured, which are measured at cost. Where applicable gains and losses arising from a change in fair value are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

(iv) *Bank and other borrowings*

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

(v) *Trade payables*

Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material.

(vi) *Cash and short term deposits*

Cash and short term deposits comprise cash on hand, demand deposit and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and short term deposits are stated at nominal amounts, being the amount recognised at inception.

(vii) *Shares issued by the Company*

Ordinary shares issued by the Company are classified as equity instruments.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Impairment*

At each reporting date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of receivables, evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes which indicate that the cost of the investment in the equity instrument may not be recovered.

For receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount is reduced directly.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When a decline in the fair value of an available for sale asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been directly recognised through other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value-in-use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

An impairment loss recognised in a prior year on assets other than equity instruments carried at cost because fair value cannot be reliably measured is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in other comprehensive income, unless an impairment loss on the same asset was previously recognised in profit or loss.

## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Impairment (continued)*

Impairment losses recognised in profit or loss for an available for sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured is not reversed in a subsequent year.

#### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and the Company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Rendering of services*

Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(ii) *Interest income*

Interest income is recognised on an accruals basis using the effective interest rate. Interest income is included in finance income in the profit or loss.

(iii) *Grants*

Grants are recognised in profit or loss when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received. Grants related to income are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Such grants are presented as part of profit or loss. Grants related to assets are presented in the Statement of Financial Position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

#### *Deferred income*

Deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

#### *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Leases (continued)*

Where the Company is a lessee, rentals payable under operating leases less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

Where the Company is a lessor, rentals receivable under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

#### *Taxation*

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or equity as appropriate.

The charge for current tax is based on the taxable result for the year. The taxable result for the year differs from the result as reported in profit or loss because it excludes items which are non-taxable or disallowed for tax purposes and it further excludes items that are taxable or deductible in other periods. The tax charge is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets (including deferred tax assets for the carry forward of unused tax losses and unused tax credits) are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. Deferred tax assets and liabilities are offset when the Group and the Company have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes are levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which satisfy certain criteria.

#### *Employee benefits*

Employee benefits include short term benefits and post-employment benefits.

The Group and the Company contribute towards the state pension fund in accordance with local legislation. The only obligation of the Group and the Company is to make the required contribution. Costs are expensed in the year in which they are incurred.

#### *Retirement plans*

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised as an expense at the earlier of the following dates (a) when the plan amendment or curtailment occurs and (b) when the entity recognises related restructuring costs or termination benefits. The amount recognised in the Statement of Financial Position represents the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The service cost and the net interest on the net defined benefit liability are recognised in profit or loss. Remeasurements of the net defined benefit liability, comprising actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Such remeasurements are reflected immediately in retained earnings.

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## Notes to the financial statements

31 December 2014

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### 2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Retirement plans (continued)*

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Due to the nature of the actuarial assumptions, in accordance with the provisions of IAS 19, the Company did not involve a qualified actuary in the measurement of its post-employment benefit obligations.

#### *Currency translation*

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated to the functional currency at the spot rate of exchange ruling at the date of the Statement of Financial Position. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a currency other than the functional currency are translated using the exchange rates at the date when the fair value is determined.

#### *Dividends*

Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.

### 2.4 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

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

Except as discussed below and in the remaining notes to the financial statements, the directors did not make any significant judgments in the process of applying the Company's and the Group's accounting policies which can significantly affect the amounts recognised in the consolidated and the separate financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the financial statements

31 December 2014

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### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

IFRIC 12 *Service Concession Arrangements* was endorsed by the EU for financial years beginning after 29 March 2009. The Interpretation, which is limited in scope, clarifies the accounting of service concession arrangements by private sector operators which provide public services on behalf of government or other public sector entities. The Interpretation states that for arrangements falling within its scope, the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:

- (i) a financial asset (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement); or
- (ii) an intangible asset (where the operator's future cash flows are not specified, for example, where they will vary according to usage of the infrastructure asset); or
- (iii) both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

The Company and the Group's business activities and operations are governed under a 65 year concession which was granted by the Government in July 2002. The directors have conducted a detailed analysis to determine the applicability of IFRIC 12 and concluded that IFRIC 12 does not apply in its entirety to the Company and its Group. Based on the Company's and the Group's proportion of regulated and unregulated activities, the directors have determined that the extent of unregulated business activities cannot be deemed as insignificant.

### 4. INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of the approval of these financial statements, a number of International Financial Reporting Standards were either not yet endorsed by the EU or were not yet applicable to the Group and the Company.

#### **IFRS 9– Financial Instruments**

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard supersedes all previous versions of IFRS 9. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Standard has not as yet been endorsed by the European Union.

#### **IAS 27 Amendment – Equity Method in Separate Financial Statements**

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Amendment is applicable for annual periods beginning on or after 1 January 2016. The Amendment has not as yet been endorsed by the European Union.

## Notes to the financial statements

31 December 2014

#### 4. INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (continued)

##### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations. The Standard applies to nearly all contracts with customers, the main exceptions being leases, financial instruments and insurance contracts. IFRS 15 is applicable for annual periods beginning on or after 1 January 2017. The Standard has not as yet been endorsed by the European Union.

##### IAS 19 Amendment (as part of the Annual Improvements to IFRSs 2012 – 2014 cycle) – Employee Benefits

The Amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. These Amendments are applicable for annual periods beginning on or after 1 January 2016. The Amendments have not as yet been endorsed by the European Union.

##### IAS 1 Amendments – Disclosure Initiative

The Amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the Amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The Amendments are applicable for annual periods beginning on or after 1 January 2016. The Amendments have not as yet been endorsed by the European Union.

The Group and the Company are in the process of assessing the impact of these standards on the financial position and performance of the Group and the Company.

The Board of Directors anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, other than the above, will have no material impact on the financial statements of the Group and the Company in the period of initial application.

#### 5. REVENUE

The contribution of the various activities of the Group and the Company to turnover which are in respect of continuing activities are set out below:

	The Group		The Company	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
<i>By activity:</i>				
Regulated fees	39,895,213	36,766,676	39,895,213	36,766,676
Commercial fees	15,619,678	14,217,676	13,590,790	12,904,327
Recharges and other income	8,775,542	7,804,170	7,651,743	6,918,410
	<u>64,290,433</u>	<u>58,788,522</u>	<u>61,137,746</u>	<u>56,589,413</u>

## Notes to the financial statements

31 December 2014

### 5. REVENUE (continued)

Regulated fees comprise income from aviation services which arise from income from passenger services charge, security fee and landing and parking fee.

Commercial fees comprise income from retail activities, rent, advertising and aviation concessionaires.

Recharges and other income comprise of the other income which is not included in the regulated and commercial fees such as PRM charge, VIP services, amenities and parking fees.

### 6. OPERATING SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

For management purposes the Group is organised into operating segments based on the nature of its operations and has three reportable segments as shown below.

Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on earnings before interest, tax and deferred income arising from the sale of terminal buildings and fixtures (EBIT). However, the Group and the Company financing (including finance income and finance costs), deferred income arising from the sale of terminal buildings and fixtures and income tax are managed on a Group and Company basis and are not allocated to operating segments.

The results of the segments are reported below:

#### Segment results

	<b>The Group</b>	
	2014 EUR	2013 EUR
<b>Airport</b>		
Segment revenue (external)	44,653,621	41,296,477
Segment EBIT	15,986,387	14,284,383
<b>Retail and Property</b>		
Segment revenue (external)	19,100,130	17,083,231
Segment EBIT	10,788,301	9,615,540
<b>Other Segment</b>		
Segment revenue (external)	536,682	408,814
Segment EBIT	536,682	408,814
<b>Total</b>		
Segment revenue (external)	64,290,433	58,788,522
Segment EBIT	27,311,370	24,308,737

#### Airport Segment

The Airport Segment comprises of the activities usually carried out by an airport. These services include revenue from airport regulated fees, aviation concessions and PRMs (persons with reduced mobility) and their associated costs. This segment also includes the operations and maintenance of the terminal, runways, taxiways and aircraft parks.

## Notes to the financial statements

31 December 2014

### 6. OPERATING SEGMENT INFORMATION (continued)

#### Retail and Property Segment

The Retail and Property Segment includes various services that support the airport operations. These include the operations of the various retail outlets within the airport perimeter, advertising sites and rental of offices, warehouses and income from the running of the VIP lounges. Income and costs from Airport Parking Limited and Sky Parks Business Centre Limited are also allocated within the Retail & Property Segment.

#### Other Segment

Other Segment comprises services that do not fall under the Airport and the Retail and Property Segments. These include miscellaneous income and disbursement fees from third parties and any costs associated with this income.

#### The Group

#### 31 December 2014

	Airport EUR	Retail and Property EUR	Other Segment EUR	Group EUR
Segment revenue (external)	44,653,621	19,100,130	536,682	64,290,433
Segment operating costs	(28,667,234)	(8,311,829)	-	(36,979,063)
Segment EBIT	<u>15,986,387</u>	<u>10,788,301</u>	<u>536,682</u>	27,311,370
Finance income				849,993
Finance cost				(2,306,805)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
<b>Profit before tax</b>				<u><b>26,063,323</b></u>

#### 31 December 2013

	Airport EUR	Retail and Property EUR	Other Segment EUR	Group EUR
Segment revenue (external)	41,296,477	17,083,231	408,814	58,788,522
Segment operating costs	(27,012,094)	(7,467,691)	-	(34,479,785)
Segment EBIT	<u>14,284,383</u>	<u>9,615,540</u>	<u>408,814</u>	24,308,737
Finance income				693,811
Finance cost				(2,538,444)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
<b>Profit before tax</b>				<u><b>22,672,869</b></u>

**Notes to the financial statements**

31 December 2014

**6. OPERATING SEGMENT INFORMATION (continued)**

**Segment assets**

	<u>The Group</u>	
	2014 EUR	2013 EUR
<b>Assets by segment</b>		
Airport	75,364,013	74,081,413
Retail and Property	54,003,710	53,442,388
<b>Total assets in reported segments</b>	<u>129,367,723</u>	<u>127,523,801</u>
<b>Assets not allocated to a specified segment</b>		
Financial assets	1,184,154	1,069,546
Deferred tax assets	3,593,385	3,473,806
Inventories	827,659	861,473
Cash and short term deposits	30,726,466	29,178,589
<b>Total not allocated</b>	<u>36,331,664</u>	<u>34,583,414</u>
<b>Group assets</b>	<u>165,699,387</u>	<u>162,107,215</u>

Revenue from two different customers amounted to EUR19,403,866 (2013: EUR19,930,342) and EUR11,271,377 (2013: EUR11,319,568) respectively. These revenues arise from the airport segment.

**7. FINANCE INCOME**

	<u>The Group</u>		<u>The Company</u>	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Interest on loan to subsidiary	-	-	112,472	-
Bank interest	849,993	693,811	849,993	693,811
	<u>849,993</u>	<u>693,811</u>	<u>962,465</u>	<u>693,811</u>

**8. FINANCE COSTS**

	<u>The Group</u>		<u>The Company</u>	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Interest on bank loans	2,306,805	2,538,444	1,396,790	1,547,486

## Notes to the financial statements

31 December 2014

### 11. STAFF COSTS AND EMPLOYEE INFORMATION

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
<i>Staff costs:</i>				
Wages and salaries	7,625,833	7,407,177	7,410,744	7,163,864
Social security costs	547,125	538,286	537,766	529,558
Retirement benefit costs (notes 25 & 26)	231,751	77,426	231,751	77,426
Other retirement benefit and termination costs	724,152	440,433	724,152	440,433
	<b>9,128,861</b>	<b>8,463,322</b>	<b>8,904,413</b>	<b>8,211,281</b>

The average number of persons employed during the year, including Executive Directors, was made up as follows:

	The Group		The Company	
	2014 Number	2013 Number	2014 Number	2013 Number
Business development, operations and marketing	114	107	110	102
Finance, IT and information management	21	21	21	21
Firemen	38	39	38	39
Meteorological office	15	12	15	12
Safety, security and administration	56	55	49	49
Technical and engineering	72	82	72	82
	<b>316</b>	<b>316</b>	<b>305</b>	<b>305</b>

### 12. INCOME TAX EXPENSE

Income tax recognised in profit or loss is as follows:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Current tax expense	9,286,513	8,108,926	9,150,161	8,024,495
Consideration paid for intra-group transfer of tax loss	-	-	-	243,662
Deferred tax	(51,967)	(23,782)	(50,474)	11,530
	<b>9,234,546</b>	<b>8,085,144</b>	<b>9,099,687</b>	<b>8,279,687</b>

## Notes to the financial statements

31 December 2014

### 12. INCOME TAX EXPENSE (continued)

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Profit before tax	<b>26,063,323</b>	22,672,869	<b>25,791,502</b>	23,293,586
Tax at the applicable rate of 35%	<b>9,122,163</b>	7,935,504	<b>9,027,026</b>	8,152,755
<i>Tax effect of:</i>				
Depreciation charges not deductible by way of capital allowances in determining taxable income	<b>340,765</b>	340,765	<b>280,852</b>	289,931
Other net difference between accounting and tax deductible items of expenditure	<b>(31,986)</b>	(31,986)	<b>(3,500)</b>	(3,500)
Finance income subject to lower tax rates	<b>(138,762)</b>	(138,762)	<b>(169,999)</b>	(138,762)
Other differences	<b>(57,634)</b>	(20,377)	<b>(34,692)</b>	(20,737)
Income tax expense for the year	<b>9,234,546</b>	8,085,144	<b>9,099,687</b>	8,279,687

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Deferred tax credit on defined benefit pensions plans	<b>41,419</b>	66,342	<b>41,419</b>	66,342

### 13. DIVIDENDS

The net final dividend of EUR6,088,500 (EUR 4.5 cents per ordinary share) proposed by the directors of the Company in the previous financial year was approved by the shareholders at the Annual General Meeting on 22 May 2014 and was paid on 9 June 2014. The net final dividend for 2012 of EUR5,412,000 (EUR 4.0 cents per ordinary share) proposed by the directors during 2013 was paid on 5 June 2013. On the 12 September 2014, a net interim dividend of EUR4,059,000 (EUR 3.0 cents per share) (2013 – EUR4,059,000 (EUR 3.0 cents per share)) was paid to ordinary shareholders of the Company.

The directors propose that a net final dividend of EUR 8.0 cents per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The total proposed dividend to be paid is EUR10,824,000.

**Notes to the financial statements**

31 December 2014

**14. PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	Land held on temporary emphyteusis EUR	Buildings EUR	Furniture, fixtures, plant and equipment EUR	Total EUR
<b>Cost</b>				
At 1 January 2013	42,033,473	63,297,488	77,407,281	182,738,242
Additions	-	453,718	3,740,866	4,194,584
Disposals	-	-	(105,908)	(105,908)
At 1 January 2014	42,033,473	63,751,206	81,042,239	186,826,918
Additions	-	384,762	4,361,988	4,746,750
Disposals	-	-	(374,321)	(374,321)
At 31 December 2014	42,033,473	64,135,968	85,029,906	191,199,347
<b>Accumulated depreciation</b>				
At 1 January 2013	6,736,136	20,747,180	57,146,456	84,629,772
Provision for the year	646,669	1,251,516	2,997,749	4,895,934
Eliminated on disposal	-	-	(99,018)	(99,018)
At 1 January 2014	7,382,805	21,998,696	60,045,187	89,426,688
Provision for the year	646,669	1,276,280	3,782,093	5,705,042
Eliminated on disposal	-	-	(374,321)	(374,321)
At 31 December 2014	8,029,474	23,274,976	63,452,959	94,757,409
<b>Carrying amount</b>				
At 31 December 2014	<b>34,003,999</b>	<b>40,860,992</b>	<b>21,576,947</b>	<b>96,441,938</b>
At 31 December 2013	34,650,668	41,752,510	20,997,052	97,400,230

No depreciation is being charged on assets not yet available for use amounting to EUR1,403,558 (2013 – EUR2,823,624). In addition, the cost of fully depreciated plant and equipment amounts to EUR44,351,294 (2013 – EUR44,737,890) for both the Group and the Company.

**Notes to the financial statements**

31 December 2014

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

**The Company**

	Land held on temporary emphyteusis EUR	Buildings EUR	Furniture, fixtures, plant and equipment EUR	Total EUR
<b>Cost</b>				
At 1 January 2013	42,033,473	63,297,488	76,624,552	181,955,513
Additions	-	453,718	3,701,741	4,155,459
Disposals	-	-	(105,908)	(105,908)
At 1 January 2014	42,033,473	63,751,206	80,220,385	186,005,064
Additions	-	384,762	4,316,113	4,700,875
Disposals	-	-	(374,321)	(374,321)
At 31 December 2014	42,033,473	64,135,968	84,162,177	190,331,618
<b>Accumulated depreciation</b>				
At 1 January 2013	6,736,136	20,747,180	56,957,936	84,441,252
Provision for the year	646,669	1,251,516	2,913,132	4,811,317
Eliminated on disposal	-	-	(99,018)	(99,018)
At 1 January 2014	7,382,805	21,998,696	59,772,050	89,153,551
Provision for the year	646,669	1,276,280	3,692,791	5,615,740
Eliminated on disposal	-	-	(374,321)	(374,321)
At 31 December 2014	8,029,474	23,274,976	63,090,520	94,394,970
<b>Carrying amount</b>				
At 31 December 2014	<b>34,003,999</b>	<b>40,860,992</b>	<b>21,071,657</b>	<b>95,936,648</b>
At 31 December 2013	34,650,668	41,752,510	20,448,335	96,851,513

No depreciation is being charged on assets not yet available for use amounting to EUR1,403,558 (2013 – EUR2,823,624).

**Notes to the financial statements**

31 December 2014

**15. INVESTMENT PROPERTY**

**The Group**

	EUR
<b>Cost</b>	
At 1 January 2013	17,211,307
Additions from subsequent expenditure	1,988,311
	19,199,618
At 1 January 2014	19,199,618
Additions from subsequent expenditure	1,267,006
	20,466,624
<b>Accumulated depreciation</b>	
At 1 January 2013	309,789
Provision for the year	686,388
	996,177
At 1 January 2014	996,177
Provision for the year	828,176
	1,824,353
<b>Carrying amount</b>	
<b>At 31 December 2014</b>	<b>18,642,271</b>
	18,642,271
At 31 December 2013	18,203,441
	18,203,441

The above investment property relates to the business centre which was completed during prior years and which is located on the land held on temporary emphyteusis. The carrying amount incorporates the cost of construction and the cost of items that are an integral part of the building.

The directors consider the fair value of the above investment property not to be significantly different from its carrying amount which comprises the items stated above.

During the year there has been no change in the valuation technique used and the Group has continued to account for the investment property at cost.

In estimating the fair value of the investment property, the highest and best use of the property is its current use. Details about the Group's investment property and information about the fair value hierarchy at 31 December 2014 and 31 December 2013 are as follows:

	<b>Fair value measurement at the end of the reporting period using</b>			
	31.12.2014 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
The Business Centre	18,642,271	-	18,642,271	-
	18,642,271	-	18,642,271	-
	<b>Fair value measurement at the end of the reporting period using</b>			
	31.12.2013 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
The Business Centre	18,203,441	-	18,203,441	-
	18,203,441	-	18,203,441	-

## Notes to the financial statements

31 December 2014

### 15. INVESTMENT PROPERTY (continued)

During the year direct operating expenses of EUR796,781 (2013 – EUR584,280), which arose from the Investment Property, were incurred. Such expenses were incurred in generating rental income during the year.

### 16. INVESTMENT IN SUBSIDIARIES

#### The Company

The Company's investment in subsidiaries is stated at cost and comprises:

	2014	2013
	EUR	EUR
Shares in Airport Parking Limited	1,200	1,200
Shares in Sky Parks Development Limited	1,200	1,200
Shares in Sky Parks Business Centre Limited	1,200	1,200
Shares in Kirkop PV Farm Limited	1,200	1,200
Shares in Luqa PV Farm Limited	1,200	1,200
Shares in Gudja PV Farm Limited	1,200	1,200
Shares in Gudja Two PV Farm Limited	1,200	1,200
Shares in Gudja Three PV Farm Limited	1,200	1,200
	<u>9,600</u>	<u>9,600</u>

The Company holds a 100% (2013 – 100%) ownership in the ordinary share capital of Airport Parking Limited, a limited liability company incorporated in Malta, whose principal activity is the operation of car parks.

The Company holds a 100% (2013 – 100%) ownership in the ordinary share capital of Sky Parks Development Limited, a limited company incorporated in Malta, whose principal activity is to manage real estate projects within the land which is currently under the management of the Group,

The Company holds a 100% (2013 – 100%) ownership in the ordinary share capital of Sky Parks Business Centre Limited, a limited liability company incorporated in Malta, whose principal activity is to operate the Business Centre within the limits of the airport.

The Company holds a 100% (2013 – 100%) ownership in the ordinary share capital of:

- Kirkop PV Farm Limited, a limited liability company incorporated in Malta;
- Luqa PV Farm Limited, a limited liability company incorporated in Malta;
- Gudja PV Farm Limited, a limited liability company incorporated in Malta;
- Gudja Two PV Farm Limited, a limited liability company incorporated in Malta;
- Gudja Three PV Farm Limited, a limited liability company incorporated in Malta.

The principal activity of these five companies is to explore opportunities in the generation of electricity using photovoltaic technologies.

The principal place of business of the company's subsidiaries is Malta.

**Notes to the financial statements**

31 December 2014

**17. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

**The Group and the Company**

	Local unlisted Equity Shares	Local Listed Fund	Total
	EUR	EUR	EUR
At 1 January 2013	884,696	83,084	967,780
Additions	100,000	-	100,000
	984,696	83,084	1,067,780
Movements in fair value	-	1,766	1,766
At 31 December 2013	984,696	84,850	1,069,546
At 1 January 2014	984,696	84,850	1,069,546
Additions	105,695	-	105,695
	1,090,391	84,850	1,175,241
Movements in fair value	-	8,913	8,913
At 31 December 2014	1,090,391	93,763	1,184,154

**Available-for-sale financial asset - Local unlisted equity shares**

The Company has a 10% shareholding interest in Valletta Cruise Port plc, a company set up to develop the Valletta Waterfront and operate a cruise liner terminal at the Grand Harbour.

**Available-for-sale financial asset - Fund**

The Company holds an investment in a fund whose fair value is determined by prices quoted on the Malta Stock Exchange.

As at 31 December 2014, the Group and the Company held the following financial instruments measured at fair value:

	31.12.2014 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<b>Assets measured at fair value</b>				
Fund	93,763	93,763	-	-

As at 31 December 2013 the Group and the Company held the following financial instruments measured at fair value:

	31.12.2013 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<b>Assets measured at fair value</b>				
Fund	84,850	84,850	-	-

As per the Group's and Company's accounting policy, investments in equity instruments that do not have a quoted price in an active market for an identical instrument and whose fair value cannot be reliably measured are measured at cost.

## Notes to the financial statements

31 December 2014

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

During the reporting periods ended 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 18. LOANS AND RECEIVABLES

#### The Company

	Loan to subsidiary EUR
<b>Amortised cost</b>	
At 31 December 2014	6,600,000
Less: Amount expected to be settled within 12 months (shown under current assets)	-
	<u>6,600,000</u>
Amount expected to be settled after 12 months	<u>6,600,000</u>

The company has granted an unsecured loan to one of its subsidiaries. This subsidiary will commence repaying the loan in 2030. At the reporting date, the loan incurred interest at 2.95% per annum. The interest rate comprises a margin which is over and above the bank base rate.

### 19. DEFERRED TAXATION

#### The Group

	31.12.2012 EUR	Movement for the year EUR	31.12.2013 EUR	Movement for the year EUR	31.12.2014 EUR
<i>Arising on:</i>		<i>recognised in total comprehensive income:</i>		<i>recognised in total comprehensive income:</i>	
Accelerated tax depreciation	206,744	(369,647)	(162,903)	(243,742)	(406,645)
Provision for pension costs	1,135,216	83,386	1,218,602	(84,089)	1,134,513
Deferred income	2,149,994	(73,068)	2,076,926	(73,067)	2,003,859
Unabsorbed capital allowances	336,723	304,655	641,378	246,787	888,165
Ground rent payable	-	209,327	209,327	222,316	431,643
Other temporary differences	88,656	(64,528)	24,128	25,181	49,309
	<u>3,917,333</u>	<u>90,125</u>	<u>4,007,458</u>	<u>93,386</u>	<u>4,100,844</u>
		<i>recognised in equity:</i>		<i>recognised in equity:</i>	
Revaluation of properties on privatisation	(766,044)	26,188	(739,856)	26,193	(713,663)
Provision for pension costs	-	206,204	206,204	-	206,204
<b>Total</b>	<u><u>3,151,289</u></u>	<u><u>322,517</u></u>	<u><u>3,473,806</u></u>	<u><u>119,579</u></u>	<u><u>3,593,385</u></u>

**Notes to the financial statements**

31 December 2014

**19. DEFERRED TAXATION (continued)**

**The Company**

	31.12.2012 EUR	Movement for the year EUR	31.12.2013 EUR	Movement for the year EUR	31.12.2014 EUR
<i>Arising on:</i>		<i>recognised in total comprehensive income:</i>		<i>recognised in total comprehensive income:</i>	
Accelerated tax depreciation	535,599	(121,558)	414,041	(12,120)	<b>401,921</b>
Provision for pension costs	1,135,216	83,386	1,218,602	(84,089)	<b>1,134,513</b>
Deferred income	2,149,994	(73,068)	2,076,926	(73,067)	<b>2,003,859</b>
Ground rent payable	-	209,327	209,327	222,316	<b>431,643</b>
Other temporary differences	88,656	(43,274)	45,382	38,853	<b>84,235</b>
	<u>3,909,465</u>	<u>54,813</u>	<u>3,964,278</u>	<u>91,893</u>	<u><b>4,056,171</b></u>
		<i>recognised in equity:</i>		<i>recognised in equity:</i>	
Revaluation of properties on privatisation	(766,044)	26,188	(739,856)	26,193	<b>(713,663)</b>
Provision for pension costs	-	206,204	206,204	-	<b>206,204</b>
<b>Total</b>	<u><b>3,143,421</b></u>	<u><b>287,205</b></u>	<u><b>3,430,626</b></u>	<u><b>118,086</b></u>	<u><b>3,548,712</b></u>

The movement recognised in total comprehensive income during the current year for both the Group and the Company includes a deferred tax credit of EUR41,419 (2013 – EUR66,342) in connection with defined benefit plans, which deferred tax was recognised in other comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**20. INVENTORIES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Consumables	<u><b>827,659</b></u>	<u>861,473</u>	<u><b>827,659</b></u>	<u>861,473</u>

**21. TRADE AND OTHER RECEIVABLES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Trade receivables	<b>8,829,545</b>	8,874,422	<b>8,270,167</b>	7,345,262
Other receivables	<b>1,265,402</b>	1,067,419	<b>351,048</b>	244,873
Receivables from subsidiaries	-	-	-	5,659,995
Receivables from other related parties	<b>2,926,746</b>	807,066	<b>2,926,746</b>	807,066
Prepayments and accrued income	<b>1,261,821</b>	1,171,223	<b>986,602</b>	781,814
	<u><b>14,283,514</b></u>	<u>11,920,130</u>	<u><b>12,534,563</b></u>	<u>14,839,010</u>

## Notes to the financial statements

31 December 2014

### 21. TRADE AND OTHER RECEIVABLES (continued)

The terms and conditions of the receivables from subsidiaries and related parties are disclosed in note 33. Trade receivables are non-interest bearing and are generally on 30 day terms.

Included in the amount due from subsidiaries in 2013 was a loan of EUR4,250,000 which was unsecured, interest free and repayable on demand.

As detailed in note 18, the terms and conditions of the amount due from subsidiary were amended by virtue of an agreement entered into during the year under review.

#### The Group

As at 31 December 2014, trade receivables at nominal value of EUR232,197 (2013: EUR101,078) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	<b>Individually Impaired EUR</b>
At 1 January 2013	211,408
Movement for the year	(110,330)
	<hr/>
At 31 December 2013	101,078
Movement for the year	131,119
	<hr/>
<b>At 31 December 2014</b>	<b>232,197</b>
	<hr/> <hr/>

#### The Company

As at 31 December 2014, trade receivables at nominal value of EUR175,484 (2013: EUR101,078) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	<b>Individually Impaired EUR</b>
At 1 January 2013	211,408
Movement for the year	(110,330)
	<hr/>
At 31 December 2013	101,078
Movement for the year	74,406
	<hr/>
<b>At 31 December 2014</b>	<b>175,939</b>
	<hr/> <hr/>

During 2013 an allowance has been made for the group and company estimated irrecoverable amounts from the sale of services of EUR107,751.

## Notes to the financial statements

31 December 2014

### 21. TRADE AND OTHER RECEIVABLES (continued)

#### The Group

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			30-60 days	60 days	90 days	>120 days
			EUR	EUR	EUR	EUR
2014	11,756,291	4,981,688	3,020,440	607,279	1,035,562	2,111,322
2013	9,681,488	4,611,364	1,880,062	1,232,142	654,841	1,303,079

#### The Company

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			30-60 days	60 days	90 days	>120 days
			EUR	EUR	EUR	EUR
2014	11,196,913	4,784,912	3,004,240	577,978	797,686	2,032,097
2013	9,562,323	4,686,913	2,878,596	1,225,693	258,722	512,399

The Group does not hold any collateral over the past due but not impaired balances and has not provided for any allowance as these trade receivables are substantially companies with good track records with the Group and thus the amount is still considered recoverable.

### 22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Trade payables	3,232,179	5,101,482	3,012,086	4,897,821
Other payables	2,799,931	1,528,054	2,659,551	1,465,874
Payables due to subsidiaries	-	-	277,111	-
Accruals and deferred income	15,223,648	14,253,761	12,912,111	11,538,368
	<b>21,255,758</b>	<b>20,883,297</b>	<b>18,860,859</b>	<b>17,902,063</b>

Accruals and deferred income for the Group include deferred income amounting to EUR310,772 (2013: EUR310,772) as disclosed in note 24.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Other payables are non-interest bearing and have an average term of three months.

## Notes to the financial statements

31 December 2014

### 23. BANK LOANS

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Current bank loans	2,456,423	2,346,423	1,781,423	1,846,423
Non-current bank loans	57,098,140	59,554,563	43,148,104	44,929,527

The Company has a bank loan which will expire in 2026, and is secured by a general hypothec over all the Company's present and future assets, with the exception of terminal buildings and other sites. The loan is repayable in annual instalments. At the reporting date, the loan incurred interest at 2.95% (2013 – 3.1%) per annum.

In 2010 Sky Parks Development Limited was granted a bank loan amounting to Eur16 million which is repayable by 2030, and is secured by guarantees and a general hypothec over the commercial block, consisting of car parking spaces, retail outlets and other floor space held for rental purposes. The bank loan has been drawn down. At the reporting date, the weighted average interest rate is equal to 6.03% (2013 – 6.25%) per annum.

The maturity of the bank borrowings are disclosed in note 37.

### 24. DEFERRED INCOME

The Group	2013	Movement for the year	2014
			EUR
		Amortisation EUR	EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	5,934,075	(208,765)	5,725,310
European Commission grant	563,594	(40,255)	523,339
Norwegian grant	258,806	(51,761)	207,045
Government grant	69,935	(9,991)	59,944
Deposit received from tenant	22,623	-	22,623
Total deferred income as at 31 December	6,849,033	(310,772)	6,538,261
Less: amounts included in trade and other payables (note 22)	(310,772)		(310,772)
<b>Amounts included in non-current liabilities</b>	<b>6,538,261</b>		<b>6,227,489</b>

**Notes to the financial statements**

31 December 2014

**24. DEFERRED INCOME (continued)**

	2012	Movement for the year		2013
		Additions EUR	Amortisation EUR	EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	6,142,840	-	(208,765)	5,934,075
European Commission grant	603,849	-	(40,255)	563,594
Norwegian grant	310,567	-	(51,761)	258,806
Government grant	79,926	-	(9,991)	69,935
Deposit received from tenant	8,283	14,340	-	22,623
<b>Total deferred income as at 31 December</b>	<b>7,145,465</b>	<b>14,340</b>	<b>(310,772)</b>	<b>6,849,033</b>
Less: amounts included in trade and other payables (note 22)	(390,194)			(310,772)
<b>Amounts included in non-current liabilities</b>	<b>6,755,271</b>			<b>6,538,261</b>

**The Company**

	2013	Movement for the year		2014
		Amortisation EUR		EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	5,934,075	(208,765)		5,725,310
European Commission grant	563,594	(40,255)		523,339
Norwegian grant	258,806	(51,761)		207,045
Government grant	69,935	(9,991)		59,944
<b>Total deferred income as at 31 December</b>	<b>6,826,410</b>	<b>(310,772)</b>		<b>6,515,638</b>
Less: amounts included in trade and other payables (note 22)	(310,772)			(310,772)
<b>Amounts included in non-current liabilities</b>	<b>6,515,638</b>			<b>6,204,866</b>

	2012	Movement for the year		2013
		Amortisation EUR		EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	6,142,840	(208,765)		5,934,075
European Commission grant	603,849	(40,255)		563,594
Norwegian grant	310,567	(51,761)		258,806
Government grant	79,926	(9,991)		69,935
<b>Total deferred income as at 31 December</b>	<b>7,137,182</b>	<b>(310,772)</b>		<b>6,826,410</b>
Less: amounts included in trade and other payables (note 22)	(390,194)			(310,772)
<b>Amounts included in non-current liabilities</b>	<b>6,746,988</b>			<b>6,515,638</b>

## Notes to the financial statements

31 December 2014

### 24. DEFERRED INCOME (continued)

The deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is being taken to income in accordance with the accounting policy stated in note 2.3.

The European Commission grant is composed of grants related to assets and which were received in 2006 and 2011 in respect of the upgrading of the taxiways project.

The Norwegian grant is related to the implementation of the Schengen project and was received in 2009.

The Government grant is related to the installation of the photovoltaic system and was received in 2011.

### 25. PROVISION FOR RETIREMENT BENEFIT PLAN

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Non-current provision for retirement benefit plan	<b>3,828,974</b>	4,070,876	<b>3,828,974</b>	4,070,876

The provision for retirement benefits is unfunded and represents the Company's and the Group's share of the year-end provision in accordance with the Pensions Ordinance (Cap 93) for possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the Company's and the Group's obligation (i) discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on Maltese government bonds (ii) after considering the average life expectancy of such employees based on the latest publicly available mortality tables and (iii) where applicable, expected rates of salary increases based on the inflation and previous increases given to employees and (iv) the Company's expectations, based on historic data, of the payment options that will be selected by the plan members, being either an annual benefit per employee or a lump sum payment plus a reduced annual benefit per employee until death, capped in accordance with statutory requirements.

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

	31.12.2014 EUR	31.12.2013 EUR
Present value of the provision for retirement benefits at 1 January	4,070,876	3,243,473
Adjustment at 1 January 2013, gross of deferred tax	-	589,155
Payments effected	(544,276)	
Charge for the year (recognised in staff costs)	185,681	48,698
Actuarial gains and losses resulting from experience adjustments, gross of deferred tax (recognised in other comprehensive income)	-	67,013
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax (recognised in other comprehensive income)	116,693	122,537
Present value of the provision for retirement benefits at 31 December	<b>3,828,974</b>	4,070,876

## Notes to the financial statements

31 December 2014

### 25. PROVISION FOR RETIREMENT BENEFIT PLAN (continued)

The year-end obligation includes EUR3,176,682 (2013 - EUR2,989,032) in relation to retired employees.

The plan exposes the Group and the Company to such risks as (i) interest risk, since a decrease in market yields will increase the plan liability; (ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability; and (iii) salary risk, since an increase in the salary of the plan participants will increase the plan liability.

The significant actuarial assumptions used to determine the present value of the retirement benefit plan were as follows:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
Discount rate(s)	4.1%	4.6%
Mortality rate(s)		
- Males	79	79
- Females	83	83

The sensitivity analyses below are in connection with each significant actuarial assumption and are prepared as of the end of the reporting period, showing how the defined benefit obligation would have been affected by hypothetical changes in the relevant actuarial assumption that were reasonably possible at that date, while holding all other assumptions constant. The sensitivity analyses presented below are for illustrative purposes only and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the sensitivity analyses, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period. The amounts generated from the sensitivity analyses represent forward-looking estimates and hence, actual results in the future may differ materially from those projected results.

- If the discount rate is 100 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by EUR226,522 (increases by EUR256,256) (2013 – decreases by EUR262,865 (increases by EUR232,225)).
- If the life expectancy increases (decreases) by two years for both men and women with all other assumptions held constant, the defined benefit obligation increases by EUR265,376 (decreases by EUR285,620) (2013 – increases by EUR237,377 (decreases by EUR273,099)).

The weighted average duration of the defined benefit obligation at 31 December 2014 is 22 years (2013 – 23 years) in relation to employees that are still employed by the company and 14 years (2013 – 15 years) in relation to retired employees.

### 26. PROVISION FOR MIA BENEFIT PLAN

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Provision for MIA benefit plan	<b>163,645</b>	115,930	<b>163,645</b>	115,930

## Notes to the financial statements

31 December 2014

### 26. PROVISION FOR MIA BENEFIT PLAN (continued)

The provision for MIA benefit plan is funded and represents the year-end provision for possible future liabilities relating to payments to employees after their retirement as per the Company's Collective Agreement. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the Company's possible obligation discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on Maltese government bonds after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

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

	The Group & the Company	
	2014 EUR	2013 EUR
Present value of the provision for MIA benefit plan at 1 January	115,930	102,573
Payments effected	-	(15,400)
Charge for the year ( <i>recognised in staff costs</i> )	46,069	28,757
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax ( <i>recognised in other comprehensive income</i> )	1,646	-
Present value of the provision for MIA benefit plan at 31 December	<u>163,645</u>	<u>115,930</u>

### 27. SHARE CAPITAL

#### The Company

	As at 31.12.2014 & 31.12.2013	
	Authorised EUR	Issued and called up EUR
111,809,746 "A" ordinary shares of EUR0.25 each (81,179,990 of which have been issued, called up and fully paid)	27,952,436	20,294,997
74,539,840 "B" ordinary shares of EUR0.25 each (54,120,000 of which have been issued, called up and fully paid)	18,634,960	13,530,000
14 "C" ordinary shares of EUR0.25 each (10 of which have been issued, called up and fully paid)	4	3
	<u>46,587,400</u>	<u>33,825,000</u>

The Ordinary 'A' and 'B' shares have the same rights, benefits and powers in the Company save for the transferability thereof. Ordinary 'A' shares are freely transferred while the 'B' shares shall be non-transferable for a period of 15 years from 26 July 2002. Ordinary 'C' shares carry no voting rights and do not receive dividends.

## Notes to the financial statements

31 December 2014

### 27. SHARE CAPITAL (continued)

#### *Shareholders*

The shareholders owning 5% or more of the Company's equity share capital at 31 December 2014 were the following:

Malta Mediterranean Link Consortium Limited	40.0%	'B' shares
Government of Malta	20.0%	'A' and 'C' shares
VIE (Malta) Limited	10.1%	'A' shares

### 28. RESERVES

#### *Other Reserve*

The other reserve emanates from the revaluation of the Company's buildings on the date of the privatisation of the Company in 2002.

#### *Fair Value Reserve*

The fair value reserve originates from movements in fair values of available-for-sale financial assets and represents unrealised amounts.

### 29. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits shown in the statements of cash flow comprise the following amounts presented in the Statements of Financial Position:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Cash at bank and in hand	<u>30,726,466</u>	<u>29,178,589</u>	<u>28,890,583</u>	<u>27,975,424</u>

Cash at bank earns interest based on daily bank deposit rates.

As detailed in notes 18 and 21, the terms and conditions of the amount due from subsidiary were amended by virtue of a new agreement entered into during the year under review.

### 30. EARNINGS PER SHARE

Earnings per ordinary share for the Group and the Company have been calculated by dividing the net profit for the year after taxation attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

## Notes to the financial statements

31 December 2014

### 30. EARNINGS PER SHARE (continued)

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Profit for the year attributable to the ordinary equity holders of the Company	<b>16,828,777</b>	14,587,725	<b>16,691,947</b>	15,013,899
Weighted average number of shares	<b>135,300,000</b>	135,300,000	<b>135,300,000</b>	135,300,000
Earnings per share (cents) attributable to the ordinary equity holders of the Company	<b>12.44</b>	10.78	<b>12.34</b>	11.10

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

### 31. CAPITAL COMMITMENTS

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Property, plant and equipment				
Contracted but not provided for	<b>2,735,413</b>	1,198,081	<b>2,735,413</b>	1,198,081
Authorised but not contracted for	<b>5,735,930</b>	4,567,109	<b>5,360,930</b>	4,567,109

### 32. CONTINGENT LIABILITIES

At reporting date, there existed:

- (i) claims filed by four former employees of the Company for unfair dismissal and wrong application of disciplinary procedures, the amount of which has not been determined;
- (ii) a dispute with the Government of Malta which arose in 2005 and which could result in a claim. The Government estimates the value of the claim as at 31 December 2013 to be approximately EUR2.8 million; and
- (iii) a claim by an airline for a total amount of EUR250,526 (2012: EUR250,526) which claim is subject to full reimbursement by the Company's insurers. In 2012 the court ordered the Company to reimburse the full amount claimed, including interest. The Company has filed an appeal to the sentence.
- (iv) a dispute with two contractors involved in the construction of Skyparks Business Centre. The amount claimed by the contractors on three separate contracts is in aggregate circa EUR450,000 more than estimated by the Group. Both contractors have initiated court cases against the Group.

The above contingent liabilities have all been claimed against the Company. In the directors' opinion, all the above claims are unfounded.

### 33. RELATED PARTY DISCLOSURES

During the course of the year, the Group and the Company entered into transactions with related parties as set out below. Transactions between the Company and its subsidiaries have been eliminated on consolidation. The related party transactions in question were:

## Notes to the financial statements

31 December 2014

### 33. RELATED PARTY DISCLOSURES (continued)

#### The Group

	31.12.2014			31.12.2013		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:						
<i>Related party transactions with:</i>						
Entities which are controlled by Government	19,877,113			20,302,070		
Entities which jointly control the Company's parent	11,003			3,397		
	<b>19,888,116</b>	<b>64,290,433</b>	<b>31</b>	<b>20,305,467</b>	<b>58,788,522</b>	<b>35</b>
Staff and other operating costs:						
<i>Related party transactions with:</i>						
Key management personnel of the Group (note 10)	822,312			788,707		
Related parties other than the parent and key management personnel	5,288,841			4,019,149		
	<b>6,111,153</b>	<b>30,445,845</b>	<b>20</b>	<b>4,807,856</b>	<b>28,897,463</b>	<b>17</b>

#### The Company

	31.12.2014			31.12.2013		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:						
<i>Related party transactions with:</i>						
Entities which are controlled by Government	19,403,866			19,930,342		
Subsidiary	1,709,325			1,261,459		
Entities which jointly control the Company's parent	11,003			3,397		
	<b>21,124,194</b>	<b>61,137,746</b>	<b>35</b>	<b>21,195,198</b>	<b>56,589,413</b>	<b>37</b>
Staff and other operating costs:						
<i>Related party transactions with:</i>						
Key management personnel of the Company (note 10)	822,312			788,707		
Related parties other than the parent and key management personnel	5,288,841			4,019,149		
	<b>6,111,153</b>	<b>29,504,812</b>	<b>21</b>	<b>4,807,856</b>	<b>27,839,600</b>	<b>17</b>

The Company's and the Group's other operating costs for the current year in relation to related parties other than the parent and key management personnel comprise EUR3,356,025 (2013: EUR2,090,178) in connection with entities controlled by Government and EUR1,932,816 (2013: EUR1,928,971) in connection with entities which jointly control the Company's parent.

The amounts due to/from related parties are disclosed in note 18, 21 & 22. The terms and conditions do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. These amounts were unsecured and, except as specified in note 18, are interest-free.

## Notes to the financial statements

31 December 2014

### 33. RELATED PARTY DISCLOSURES (continued)

In addition to the above, the details of the material contracts entered into by the Company in the year ended 31 December 2014 with its substantial shareholders and their related parties are disclosed in note 35.

Property, plant and equipment includes land held on temporary emphyteusis, which relates to the land assigned by the Government of Malta to the Group and the Company by title of temporary emphyteusis. This is amortised over the remaining term of the lease by equal annual instalments. Details in connection with the operating lease expense are given in note 34.

### 34. OPERATING LEASE ARRANGEMENTS

#### The Group and the Company as lessee

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Minimum lease payments under operating lease recognised as an expense for the year	<b>1,794,864</b>	1,686,826	<b>1,794,864</b>	1,686,826

At the reporting date, the Company and the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Within one year	<b>1,006,182</b>	995,486	<b>1,006,182</b>	995,486
In the second to fifth years inclusive	<b>4,440,609</b>	4,301,982	<b>4,440,609</b>	4,301,982
After five years	<b>113,284,457</b>	114,429,266	<b>113,284,457</b>	114,429,266
	<b>118,731,248</b>	119,726,734	<b>118,731,248</b>	119,726,734

Operating lease payments represent ground rents payable by the Company to the Government of Malta on the temporary emphyteuses, with no renewal option included in the contracts. The term of the leases ranges from 58 years to 65 years and the lease payments are adjusted upwards periodically by a specified rate. The lease expense is allocated to commercial and non-commercial areas on the basis of the total surface area covered by the lease. The lease expense in relation to the commercial areas is recognised on a straight-line basis. The recognition of the lease expense in relation to the non-commercial areas is made on a systematic basis that is considered to be most representative of the time pattern of the expected benefit that the Group and the Company can reasonably be expected to reap from the use of that part of the leased asset over the lease term on the basis of passenger movements. This assessment is reviewed annually to determine whether the basis that is applied in allocating the lease expense over the lease term continues to be appropriate.

#### The Group and the Company as lessor

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Minimum lease payments under operating lease recognised as income for the year	<b>2,997,962</b>	2,203,984	<b>898,151</b>	890,635

## Notes to the financial statements

31 December 2014

### 34. OPERATING LEASE ARRANGEMENTS (continued)

#### The Group and the Company as lessor (continued)

At the date of the Statement of Financial Position, the Company and the Group had non-cancellable operating lease receivables as follows:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Within one year	2,615,457	2,411,236	771,155	771,155
In the second to fifth years inclusive	7,660,615	8,201,222	3,144,774	3,108,688
After five years	20,753,737	22,184,474	17,334,667	18,141,908
	<b>31,029,809</b>	<b>32,796,932</b>	<b>21,250,596</b>	<b>22,021,751</b>

Operating lease income receivable by the Group represents income from leases of land held on temporary emphyteuses. The term of the principal non-cancellable lease arrangements range between 30 and 32 years and the lease receivables are adjusted upwards periodically by a specified rate. It also includes income from the lease of commercial property to tenants. The term of these leases ranges from 2 years to 12 years and the lease receivables are adjusted upwards periodically by specified rates. Operating lease income receivable by the Company also includes income from the lease of land to a subsidiary. The term of the lease is of 25 years and the lease receivables are adjusted upwards periodically by a specified rate.

Where the lease income is adjusted periodically by a specified rate, the lease income is recognised on a straight-line basis over the lease term.

The amounts recognised as income during the year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR8,239,753 (2013 – EUR7,939,196).

### 35. MATERIAL CONTRACTS

The material contracts entered into by the Company in the year ended 31 December 2014 with its substantial shareholders and their related parties are the following:

#### *Malta Mediterranean Link Consortium Limited*

The provision for Technical Services by the Company's strategic partners VIE Operations Limited and SNC-Lavalin Inc., gives rise to an expense of EUR1,782,253 (2013 – EUR1,580,767).

#### *The Government of Malta*

- (i) The terminal and other land lease agreements with the Lands Department for EUR995,486 (2013 – EUR995,486);
- (ii) The contract for contribution to the Malta Tourism Authority for EUR232,937 (2013 – EUR232,937);
- (iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR1,860,000 (2013 – EUR1,860,000);
- (iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR902,898 (2013 – EUR902,898);
- (v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR736,938 (2013 – EUR722,318);
- (vi) The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR358,765 (2013 – EUR342,524) in revenue;
- (vii) The ground handling and concession agreements with Air Malta plc and its subsidiaries that generated income of EUR1,709,688 (2013 – EUR1,890,979).

## Notes to the financial statements

31 December 2014

### 36. PARENT COMPANY

For the purposes of IFRS 10 – Consolidated Financial Statements, it is considered that Articles 58.2 and 58.7 of the Company's Articles of Association combine so as to give Malta Mediterranean Link Consortium Limited, which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, control over the Company. The consolidated financial statements of the Group are incorporated in the Group financial statements of Malta Mediterranean Link Consortium Limited.

### 37. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At 31 December 2014 and 31 December 2013 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current loans and receivables and non-current financial liabilities are not materially different from their carrying amounts because they carry an arm's length interest that is re-priced periodically.

Investments in available for sale equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair values cannot be reliably measured are stated at cost since the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reliably assessed. It is not possible to disclose the range of estimates within which fair value is highly likely to lie.

The Company does not intend to dispose of these financial instruments within 12 months of the end of the reporting period. The fair value of the other available for sale instruments is disclosed in note 17.

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value, grouped into Levels 1 to 3.

#### The Group

	Fair value measurement at the end of the reporting period using			
	31.12.2014	Level 1	Level 2	Level 3
	Carrying amount			
	EUR	EUR	EUR	EUR
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost:</i>				
Bank loans	59,554,563	-	59,554,563	-

	Fair value measurement at the end of the reporting period using			
	31.12.2013	Level 1	Level 2	Level 3
	Carrying amount			
	EUR	EUR	EUR	EUR
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost:</i>				
Bank loans	61,900,986	-	61,900,986	-

## Notes to the financial statements

31 December 2014

### 37. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### The Company

	Fair value measurement at the end of the reporting period using			
	31.12.2014 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<b>Financial assets</b>				
<i>Financial assets at amortised cost:</i>				
Loan to subsidiary	6,600,000	-	6,600,000	-
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost:</i>				
Bank loans	44,929,527	-	44,929,527	-

	Fair value measurement at the end of the reporting period using			
	31.12.2013 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost:</i>				
Bank loans	46,775,950	-	46,775,950	-

### 38. FINANCIAL RISK MANAGEMENT

The Group's and the Company's principal financial liabilities comprise bank loans and trade payables. The principal financial assets of the Group and the Company are trade receivables, loans and receivables, available-for-sale financial assets and cash and short-term deposits.

The principal financial instruments are classified into the following categories:

	The Group		The Company	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Available-for-sale financial assets	1,184,154	1,069,546	1,184,154	1,069,546
Loans and receivables	-	-	6,600,000	-
Trade receivables & cash and cash equivalents	42,482,757	38,860,077	40,087,496	41,787,747
Financial liabilities at amortised cost	77,813,586	81,256,229	60,934,031	63,212,139

Net gains /(losses) arising from these financial instruments are classified as follows:

*Recorded in the statement of comprehensive income:*

Loans and receivables	-	-	112,472	-
Trade and other receivables	131,119	(2,579)	74,406	(2,579)
Cash and cash equivalents	849,993	693,811	849,993	693,811
Financial liabilities at amortised cost	(2,306,805)	(2,538,444)	(1,396,790)	(1,547,486)

*Recorded in other comprehensive income:*

Available for sale financial assets	8,913	1,766	8,913	1,766
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## Notes to the financial statements

31 December 2014

### 38. FINANCIAL RISK MANAGEMENT (continued)

The main risks arising from the Group's and the Company's financial instruments are changes in interest rate, liquidity risk and credit risk, which are summarised below.

#### *Interest rate risk*

The Group has taken out bank facilities to finance its operations as disclosed in note 23 and has cash at bank balances as disclosed in note 29. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The company has also granted an interest-bearing loan to a subsidiary as disclosed in note 18. The Group is exposed to cash flow interest rate risk on bank balances and 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 structure.

#### *Interest rate risk table*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax. The Group and Company consider the reasonably possible changes in interest rates to be a change in 25 basis points.

	Increase/ decrease in basis points	Effect on Group profit before tax EUR	Effect on Company profit before tax EUR
2014	+25	(72,070)	(23,597)
	-25	72,070	23,597
2013	+25	(81,806)	(47,001)
	-25	81,806	47,001

The effect on profit takes into consideration both interest payable and interest receivable based on the subsidiary and bank loans and cash and short term deposits as disclosed in notes 18, 23 and 29 respectively.

#### *Credit risk*

Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of available-for-sale financial assets, receivables and cash and short term deposits held at bank. Receivables are presented net of an allowance for doubtful debts. The maximum exposure to credit risk is the carrying amounts of each class of asset as disclosed in notes 17,18, 21 and 29 respectively. As disclosed in note 23 the Company has also granted security over its subsidiary's bank loan.

An allowance for provision for impairment of trade receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to trade receivables is managed and assessed through the adherence to credit control procedures, which include client acceptance procedures, and is also limited through the number of customers comprising the Group's and Company's debtor base. Outstanding trade receivables are regularly monitored by management. Available-for-sale financial assets are acquired after assessing the quality of the relevant available-for-sale financial asset. Cash and short term deposits held at bank is placed with reliable financial institutions. Management considers the quality of its financial assets as being acceptable.

The largest single customer of the Group, Air Malta plc, which is currently going through a restructuring process, accounts for EUR3.2 million (2013 – EUR1.0 million) of the Group's trade and other receivables at year end and 31.0% (2013 – 34.5%) of the Group's revenue.

The Company's exposure to this customer is not materially different to that of the Group.

**Notes to the financial statements**

31 December 2014

**38. FINANCIAL RISK MANAGEMENT (continued)**

*Credit risk (continued)*

The maximum exposure to this customer during a period of increased trading, in particular in the summer months at normal credit terms, is expected to be in the region of EUR3.6 million (2013 – EUR4.4 million). The Board feels confident that the Group's and the Company's exposure to Air Malta plc will not jeopardize in any way the Group's ability to continue operations for the foreseeable future and that Air Malta plc will meet its obligations.

*Liquidity risk*

The tables below summarises the maturity profile of the Group's and Company's financial liabilities at 31 December 2014 based on contractual undiscounted payments. In the tables below, 'Current' refers to invoices issued close to year end, and which were within the credit period of 30 days given to the Group and the Company.

**The Group**

**31 December 2014**

	Total EUR	Current EUR	<3 months EUR	3–12 months EUR	1–5 years EUR	>5 years EUR
Interest bearing bank borrowings	72,079,398	-	2,254,832	2,356,581	38,294,650	29,173,335
Other payables	2,817,554	338,106	2,479,448	-	-	-
Accruals	14,716,072	3,090,375	2,060,250	9,565,447	-	-
Trade payables	3,232,179	1,583,346	1,072,875	575,958	-	-
	<u>92,845,203</u>	<u>5,011,827</u>	<u>7,867,405</u>	<u>12,497,986</u>	<u>38,294,650</u>	<u>29,173,335</u>

**31 December 2013**

	Total EUR	Current EUR	<3 months EUR	3–12 months EUR	1–5 years EUR	>5 years EUR
Interest bearing bank borrowings	77,545,354	-	2,635,935	2,022,381	39,750,242	33,136,796
Other payables	1,545,677	185,481	1,360,196	-	-	-
Accruals	13,942,989	2,928,028	1,952,018	9,062,943	-	-
Trade payables	5,101,482	3,811,647	709,364	580,471	-	-
	<u>98,135,502</u>	<u>6,925,156</u>	<u>6,657,513</u>	<u>11,665,795</u>	<u>39,750,242</u>	<u>33,136,796</u>

**The Company**

**31 December 2014**

	Total EUR	Current EUR	<3 months EUR	3–12 months EUR	1–5 years EUR	>5 years EUR
Interest bearing bank borrowings	49,500,862	-	2,108,239	959,011	32,461,478	13,972,134
Other payables	2,659,551	319,146	2,340,405	-	-	-
Accruals	12,404,535	2,604,952	1,736,635	8,062,948	-	-
Trade payables	3,012,086	1,462,327	1,020,164	529,595	-	-
	<u>67,577,034</u>	<u>4,386,425</u>	<u>7,205,443</u>	<u>9,551,554</u>	<u>32,461,478</u>	<u>13,972,134</u>

**Notes to the financial statements**

31 December 2014

**38. FINANCIAL RISK MANAGEMENT (continued)**

*Liquidity risk (continued)*

31 December 2013

	Total EUR	Current EUR	<3 months EUR	3–12 months EUR	1–5 years EUR	>5 years EUR
Interest bearing bank borrowings	52,950,601	-	2,163,872	1,050,318	33,605,935	16,130,476
Other payables	1,465,874	175,905	1,289,969	-	-	-
Accruals	11,227,596	2,357,795	1,571,863	7,297,938	-	-
Trade payables	4,897,821	3,628,965	604,516	664,340	-	-
	<u>70,541,892</u>	<u>6,162,665</u>	<u>5,630,220</u>	<u>9,012,596</u>	<u>33,605,935</u>	<u>16,130,476</u>

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has additional undrawn bank facilities of EUR2.5 million (2013 – EUR2.5 million) earmarked for capital expenditure projects and EUR4.7 million (2013 – EUR4.7 million) overdraft facilities.

*Capital management*

One of the objectives of the Group and the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives and processes during the years ended 31 December 2014 and 31 December 2013.

The Company monitors its capital requirement on a periodic basis taking into account its current requirements. Capital includes equity attributable to the equity holders and other reserves and bank loans. The Group's and Company's policy in managing capital has remained unchanged from the prior year.

**39. EVENTS AFTER THE REPORTING PERIOD**

No events occurred between the end of the reporting period and the date when the financial statements were authorised for issue which are relevant to the financial statements.

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Exemption number: EXO2155

## Independent auditor's report

to the members of

### Malta International Airport p.l.c.

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We have audited the accompanying financial statements of Malta International Airport p.l.c. and its Group, set out on pages 20 to 64, which comprise the statements of financial position of the Company and the Group as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the financial statements*

As explained more fully in the statement of directors' responsibilities on page 8, the directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act, 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view 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 internal control of the Company and the Group. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Independent auditor's report (continued)

to the members of

### Malta International Airport p.l.c.

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#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Malta International Airport p.l.c. and its Group as at 31 December 2014, and of the Company's and its Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Companies Act (Cap. 386).



Bernard Scicluna as Director  
In the name and on behalf of,  
**Deloitte Audit Limited**  
Registered Auditor

24 February 2015

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