Malta International Airport plc
Business Report and Financial Statements 2006

MALTA
INTERNATIONAL
AIRPORT

2006 Business Report and Financial Statements

Mission Statement

We promote Malta as a focal point in the global airport network, through our competent and friendly staff, using state of the art systems for all airport stakeholders to enjoy a safe, efficient and profitable enterprise.

Key Data

	Financial Year 2006 **(9months)**	Change in %	Financial Year 05/06	Change in %	Financial Year 04/05
Financial Indicators (in Lm millions)					
Total turnover	14.05	(15.8)	16.69	0.7	16.58
Thereof Aviation	10.22	(14.7)	11.98	0.9	11.87
Thereof Non-Aviation	3.84	(18.5)	4.71	(0.1)	4.71
EBIT	5.36	(6.6)	5.73	(3.2)	5.92
EBIT margin in %	38.1	10.9	34.4	(3.8)	35.73
EBITDA	6.71	(8.4)	7.33	1.3	7.23
EBITDA margin in %	47.7	8.7	43.9	0.6	43.63
ROCE in %	8.22	(9.5)	9.08	(0.4)	9.12
Net Profit	3.12	1.4	3.08	(4.5)	3.22
Cash flow from operating activities	2.96	(53.8)	6.41	56.6	4.09
Equity	21.54	(0.2)	21.59	(0.4)	21.69
Balance sheet total	49.48	(1.1)	50.04	2.4	48.88
Capital Expenditure	1.58	(26.1)	2.13	74.9	1.22
Taxes on income	1.79	(1.5)	1.82	(4.8)	1.91
Employees	379	(2.1)	387	(3.5)	401
Industry Indicators					
MTOW in million tonnes	1.79	(9.8)	1.98	2.7	1.93
Passengers in millions	2.29	(16.9)	2.76	(2.7)	2.83
Thereof transfer passengers in thousands	124.5	(18.3)	152.3	89.8	80.2
Flight movements	24,565	(15.1)	28,945	2.1	28,336
Cargo in tonnes	13,287	(19.1)	16,427	(0.3)	16,472
Seat occupancy in %	65.8	(1.7)	67.0	(2.9)	69.0
Stock Market Indicators					
Shares outstanding in millions	**67.65**	0.0	67.65	0.0	67.65
P/E ratio as of 31st March	**29.72**	(13.3)	34.29	25.5	27.31
Earnings per share in Lm	**0.0461**	1.3	0.0455	(4.4)	0.0476
Net Dividend per share in Lm	**0.047**	0.0	0.047	0.0	0.047
Net Dividend yield in %	**3.431**	13.9	3.013	(16.7)	3.615
Pay-out ratio as a % of net profit	**101.97**	(1.3)	103.35	4.7	98.74
Market capitalisation as of 31st Dec in Lm millions	**92.68**	(12.2)	105.53	20.0	87.95
Stock price:high in Lm	**1.56**	(3.7)	1.62	15.8	1.399
Stock price: low in Lm	**1.32**	20.0	1.10	37.5	0.8
Stock price as of 31st December/31st March in Lm	**1.37**	(12.2)	1.56	20.0	1.3
Market weighting as of 31st December/31st March in %	**5.30**	0.0	5.30	(36.5)	8.35

N.B.

The current Financial Year covers 9 months (April to December 2006), therefore certain indicators (particularly the Industry and Financial indicators) are not comparable with those of the previous two financial years.


MALTA INTERNATION


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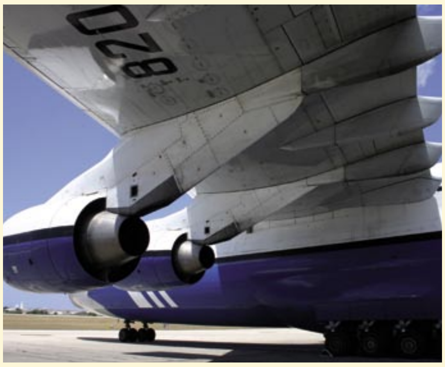
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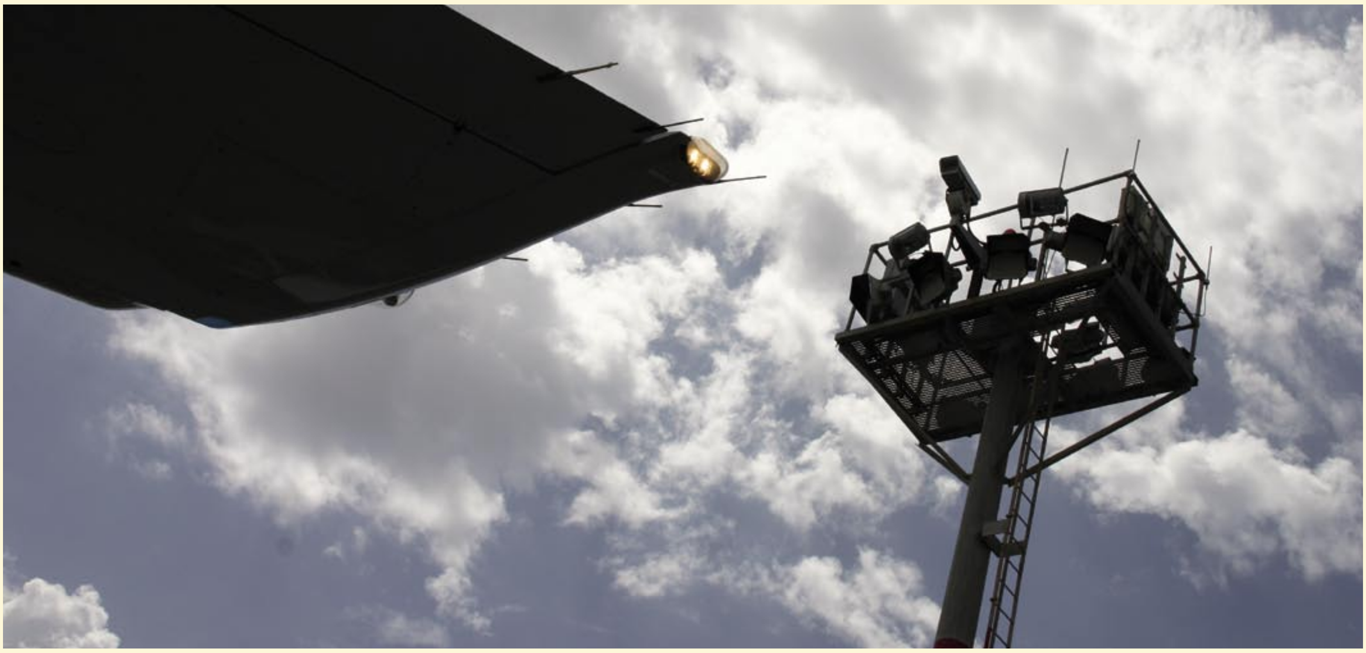

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Chairman's Statement

Micheal Hoeferer

The results of this financial year in review may not be said to be exceptional but must be seen in the light of circumstances which preclude a more evidently positive picture.

At the outset one must consider that the figures do not represent a full twelve-month period, a fact which renders any comparative study more difficult. Moreover the tourism performance in these nine months on a national level was expected to produce a better show. In this regard therefore the bottom line is indeed a relatively affirmative result.

Firstly we have pursued and intensified our cooperation with the Ministry for Tourism and Culture as well as the Malta Tourism Authority to which we continue to contribute significantly on a number of projects both financially and with our know-how in what has now evolved into a healthy and effective partnership. For instance the input and experience offered by MIA was indeed vital for the successful outcome of the increased operations by low-cost carriers. To this end we are warranted in directing our main trust to achieve a continued and strengthened development in the tourism field because we believe it is of salient importance as one of the economic sectors with the greatest potential for growth and job creation.

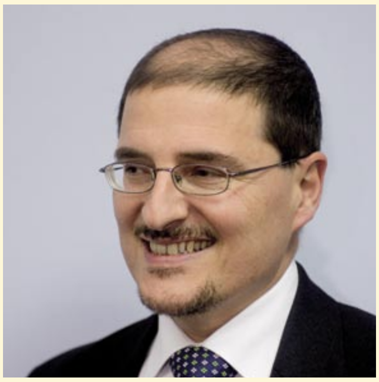
For this reason too we welcome the close collaboration with other stakeholders and as an excellent example of such partnership, worth highlighting is MIA's business deal with Lufthansa Technik which is now underway. After successful discussions with Government and lengthy negotiations with LTM, MIA has sub-leased a substantial area of land to LTM which will be used as an extension of the already existing structure. The ultimate aim is to develop further the activity of maintenance and servicing of aircraft which is directed towards eventually attracting the advent of wide-bodied aircraft such as the A380 which is the largest of its kind worldwide. This indeed does not exclude our involvement and the commitment of our workforce. More importantly it is significant to note that in partnering this prominent project MIA has contributed in the creation of over 500 jobs that it is expected to bring about.

Also in this regard we are furthermore pursuing our endeavours in our property development whilst negotiating with a sense of responsibility, this we are confident will bear positive results. Already the Cargo Village is slowly but steadily taking shape with DHL Express relocating its operation to MIA. The master plan for the cargo village has been produced and is now serving as a marketing tool to attract even more business to the area.

We earnestly believe that the driving force behind the success of MIA lies in its workforce and the trust laid by our shareholders in this foremost Maltese enterprise operating primarily for the Maltese. However, to be successful we need to work in partnership with other stakeholders, the private sector and our employees in order that Tourism may well fulfil its role as a significant contributor to the national wealth for the benefit of the entire Maltese society.

Board of Directors

John Ellul Vincenti
Deputy Chairman



Austin Calleja
Chief Financial Officer

Louis-M. St-Maurice
Director

Winston J. Zahra
Director

Karin Zipperer
Director

Louis de Gabriele
Company Secretary

Chief Executive Officer's Review

Peter R. Bolech

As in any dynamic enterprise particularly as one mostly dependent on a societal industry like tourism, MIA's performance is naturally susceptible to oscillate with the ongoing events dominating both the national and international scenarios.

On the executive plain this business year was marked with a change in its calendar term which was necessary in order to align financial results with our operational statistics.

This curtailed nine-month period may deserve the interpretation of not having lived up to expectations, but on a more positive note this is now behind us, as also the national economy is somehow surpassing its hurdles.

Indeed we have confronted adversities with a spirit of bold resistance working alongside government behind the lines with concerted energies to promote Malta at all levels. We are pleased to note that as most diligent efforts normally meet with deserved results, so too these last three months have started to show a shift in the right direction.

This upward surge is liable to be attributed to the increased activity of low cost carriers, but whilst we contend that the recovery of the market is not due to any single or isolated occurrence but is the sum of a number of measures undertaken as part of a collective strategy, we equally maintain that the effective realisation of these plans would not have proved possible without the resilient input of MIA.

Furthermore these nine months were also highlighted by our extensive works in preparation for the implementation of the Schengen Treaty requirements which is expected towards the first quarter of the coming year. The result is evident and has received deserved acclaim from all quarters. This project incurred a 1.5 million Maltese liri investment which has increased the capacity of the departure and arrivals hall by some 30%.

The prospects for the coming summer season are encouraging also in view of the foregoing approach that has set the intended mark. To this end the company will be concentrating on the necessary maintenance of the airfield which is estimated to involve a 4 million Maltese liri investment. Moreover we have consolidated our Marketing team to cater for the attainment of increasing potential and subsequent expected growth in the firm belief that such well-planned development begets wealth not merely for the Company and our shareholders, but more importantly it contributes towards the betterment of the Nation's economy for the benefit of Malta's society.


AIRPORT


Welcome
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Overview 2006

Our Commitment to Maltese Society

Further to the privatisation of Malta International Airport in 2002, MIA has concentrated its efforts to effect its sponsorship strategy directed to communicate broadly that MIA still remains a Maltese organisation equally in character and in its salient contribution towards Maltese society. Within this context three areas intrinsically associated with the Maltese public were identified whence society in general could benefit directly. The three pillars on which MIA bases its sponsorship policy are **Culture, the Environment and Sport**.

The Restoration of the Manoel Theatre Ceiling

The fourth phase of the Manoel Theatre Restoration Project was concluded in time for the opening of the 2006/2007 theatre season in the first week of October. This consisted of a thorough refurbishment and re-gilding of the elaborate ceiling of the theatre auditorium.

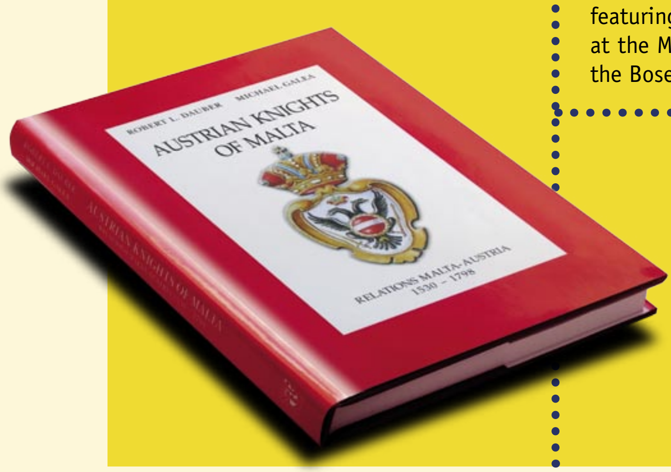
Malta International Airport plc is the main sponsor of the Manoel Theatre Restoration Project. The intricate process of the restoration of Malta's national theatre was initiated in 2003 with the expert guidance of proven professionals led by eminent specialists in the restoration field, namely Sante Guido and Giuseppe Mantella undertaking the methodology of the *Istituto Centrale di Restauro* of Rome.

Culture and Arts

Mediterranean Melodies CD
MIA's endeavours to enhance the cultural and artistic scene in Malta reached new heights with the launching of a CD that combined leading Maltese and Austrian talents in classical excerpts of Mediterranean origin.

"Mediterranean Melodies" was launched first in Vienna then in Malta and features Maltese soprano Lydia Caruana and the Austrian celebrity pianist Paul Gulda. The album includes works by Manuel de Falla, Gioacchino Rossini, Maurice Ravel, Vincenzo Bellini as well as Maltese composer Charles Camilleri.

The Austrian Knights in Malta
This first publication of its kind, sponsored by MIA, deals extensively on the knights from Austrian territories at the time and also the relations in diverse spheres with Malta during the 268 years of rule of the Knights Hospitaller in Malta. The publication is a combined effort of historians Robert L. Dauber from Austria and the Maltese Michael Galea.



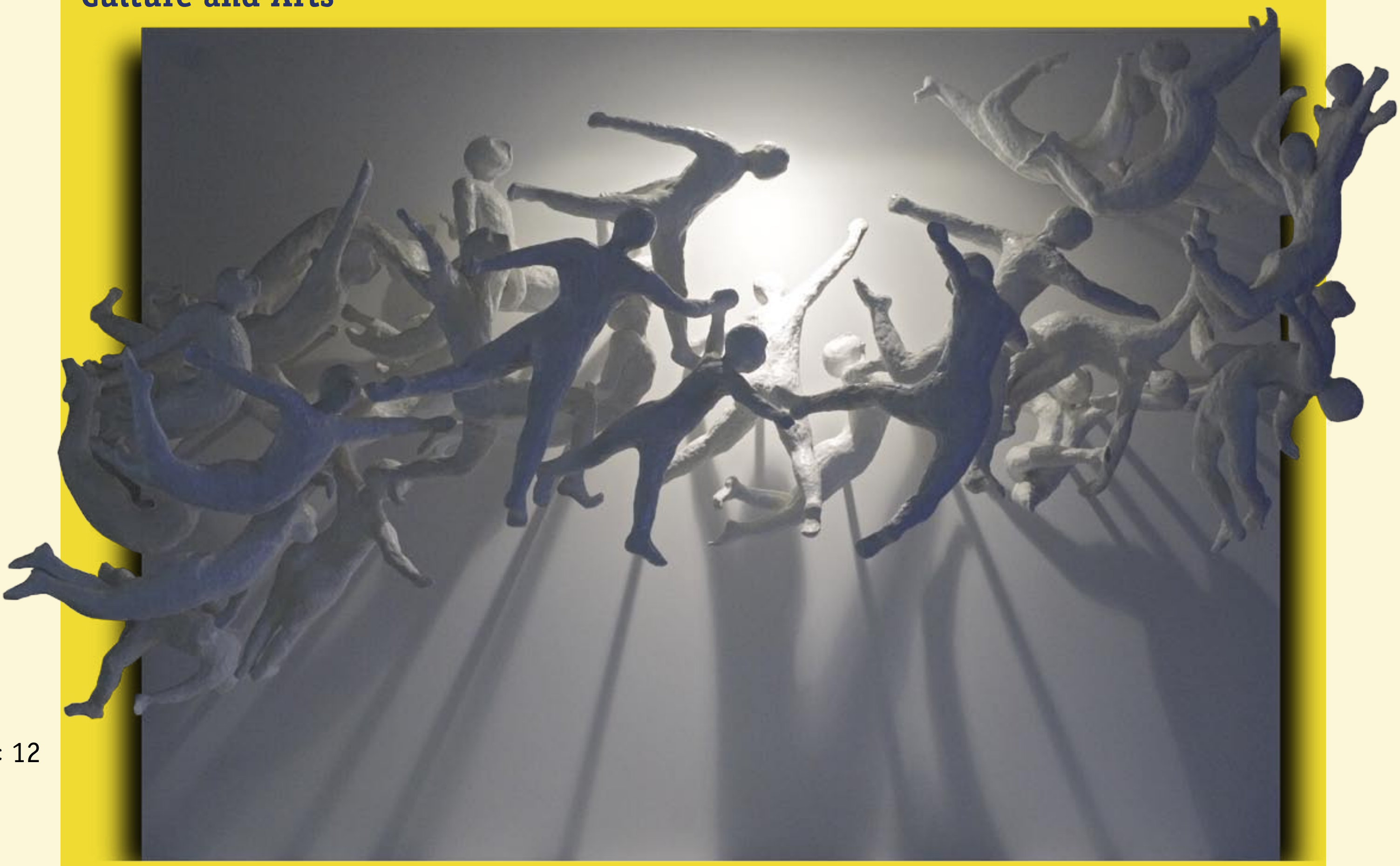
Classical Music Concerts

A grand concert at the Manoel Theatre with the participation of Lydia Caruana, Alexander Kaimbacher and the Stadttheater Baden Orchestra which launched the 2006 season.

The "Mediterranean Arias" Concert featuring Lydia Caruana and Paul Gulda at the Manoel Theatre in Valletta and at the Bosendorfer Saal in Vienna

Publication of Music scores financed by MIA
A publication of music scores by Maltese composers whose compositions were inspired by the works of Wolfgang Amadeus Mozart as part of the celebrations of the 250th anniversary of his birth.

Culture and Arts



Visual Arts
Prime Minister Lawrence Gonzi unveiled a figurative sculpture by artists Celia Borg Cardona and Francesca Balzan at the new Arrivals area. Using the theme 'Freedom of Movement' as their point of origin, the two artists developed a concept based on the most free of living organisms, free to travel in any direction anywhere, without boundaries or restrictions.

'Abstracts', a publication by Luciano Micallef

'A Shroud for the Sea' by Patrick Fenech on display at the new Arrivals Area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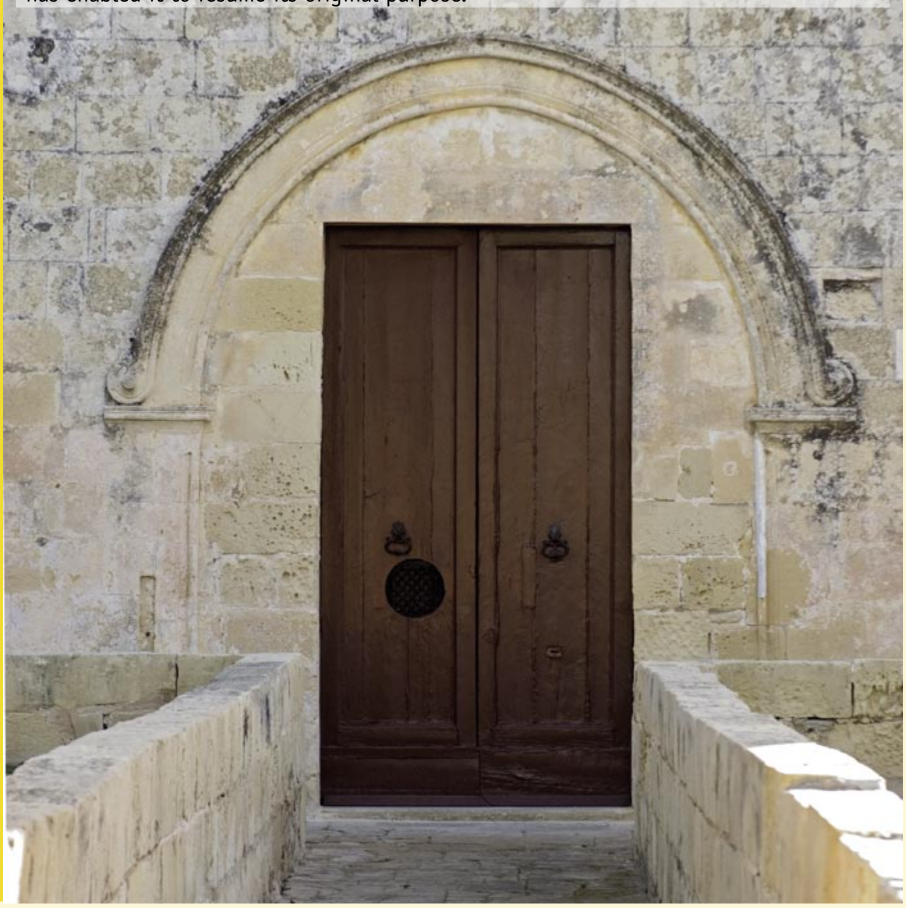
Heritage

Artistic installations in Arrivals Area
The innovative concept that was introduced in the building of the new Arrivals area at Malta International Airport reflects MIA's unwavering commitment to actively support Malta's national heritage and to promote it as added value for Malta as a destination with foreign visitors. The new building is a virtual walk-through experience that introduces incoming passengers to the thousands of years of Maltese history. MIA entrusted Heritage Malta to create a number of historical artefacts and three-dimensional installations which are exhibited to depict some of Malta's monumental gems.

Palazzo Falson Museum
The restoration of Palazzo Falson in Mdina by the *Fondazzjoni Patrimonju Malti* is one of the most ambitious projects undertaken in Malta in recent years and MIA has once again renewed its support of this initiative.

Palazzo Falson, or the Norman House as it is more commonly known, is one of the oldest structures still standing in the walled city of Mdina. Once the restoration is completed, the illustrious monument will open its doors to the public under the name of *The Palazzo Falson Museum* exhibiting over 4000 artefacts that the Fondazzjoni has undertaken to restore.

Bir Miftuh Frescoes
Malta International Airport plc is also sponsoring the restoration of the frescoes of the Santa Marija ta' Bir Miftuh Chapel in Gudja. The Chapel, situated in the vicinity of the air terminal, is a significant landmark of the country's medieval history. MIA always cherished the upkeep of this beautiful chapel, having "adopted" it ever since the Company came into being fifteen years ago and financed its entire refurbishment that has enabled it to resume its original purpose.

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MALTA INTERNATIONAL AIRPORT

Environment

MIA's commitment towards the environment revolved mainly on the improvements within the terminal and its environs. This served as a catalyst for other organisations to make better use of available resources and to reduce negative impacts on the environment.

An Environment Committee was set up with MIA employees to recommend improvements and create greater awareness on safeguarding the environment.

150 olive trees that are grown on MIA land in the airport surroundings have been made available to a local company to produce pure Maltese olive oil of the finest quality. A total of 650 kilos of olives were picked from MIA from three different varieties of indigenous trees. The trees at MIA are concentrated in the Olive Grove, a 3500 m^2 tract of land that comprises more than 100 olive trees.

MIA has also invested Lm40,000 (93,200 euros) in measures to reduce energy consumption and concluded all feasibility studies on an ambitious solar-powered cooling system.

Sport

The Youth Development Policy that was devised in collaboration with the Malta Sports Council was maintained throughout last year and has provided the necessary assistance to young athletes in a number of sports disciplines. Simultaneously, MIA was the main sponsor of a weekly TV programme on sports, the first of its kind, produced by the Malta Olympic Committee, as well as the annual MOC Sports Awards ceremony that gives due recognition to the most outstanding athletes during the year.

Reaching Out

MIA believes in assisting voluntary organisations with a mission to improve the quality of life for the less fortunate members of our society, by supporting and assisting a number of organisations namely the Malta Community Chest Fund, Caritas, Life Cycle, The Cystic Fibrosis Foundation, St Patrick's School, the Red Cross Society and the Wonderland Ward at St Luke's Hospital (*photo below*).

Aviation

Malta International Airport hosted and supported two main aviation events held in Malta – The International Air Rally of Malta and the Malta International Airshow.


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Attracting New Business

Incentives and new airlines

Consequent to the incentives announced by Government in 2006 in an effort to attract low-cost carriers, MIA moreover offered incentives and assistance to launch new routes and operations commencing from airports in Spain, Sweden, Norway and Poland.

The incentives were directed to any airline wishing to operate a minimum of three weekly return flights all year round from any airport in these four countries. MIA accorded a 50% discount on its passenger service fees and landing charges during the winter schedule and a 30% discount during the summer schedule.

As from 1st June 2006, the Italian low-fares airline Meridiana launched a new service to Malta by operating two direct weekly flights from the Aeroporto Marconi in Bologna to Malta International Airport.

Thereafter, Malta International Airport confirmed that Germanwings, Germany's major low-cost airline, is commencing operations to Malta in March 2007. The airline will fly to Malta from Cologne and Stuttgart, two of its bases in Germany, with two weekly flights from each destination.

On 31st October 2006, the low-cost airline Ryanair launched its operations to Malta with a daily flight from London Luton and three weekly flights from Pisa, announcing also that a third route from Dublin was scheduled for 2007.

Following successful negotiations with MIA, German maintenance, repair & overhaul provider Lufthansa Technik announced plans to set up new maintenance & overhaul capabilities for Airbus A330/A340 C- and D-Checks in Malta (up to the A340-600). The multi-million EUR investment for the bay infrastructure, tooling and ground equipment also includes the building of new hangar facilities and extension of services that are currently being provided.


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Meridiana


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CHANEL
CHANEL
CLINIQUE
Exit
Dior
JIL SANDER
NINO CERRUT

Cargo

DHL Express, a global market leader of the international express and logistics industry announced that their Malta operation will be relocated to a new processing facility at the MIA Cargo Village. This will be the first express operation of its kind to be located in the MIA Cargo Village and is part of an ongoing effort to source new tenants and partners strategically chosen to create incremental business.

Cargo and mail activity increased by 6% and 5% respectively in 2006 and has attracted a record number of freighter movements by the larger aircraft available.

Cruise & Fly

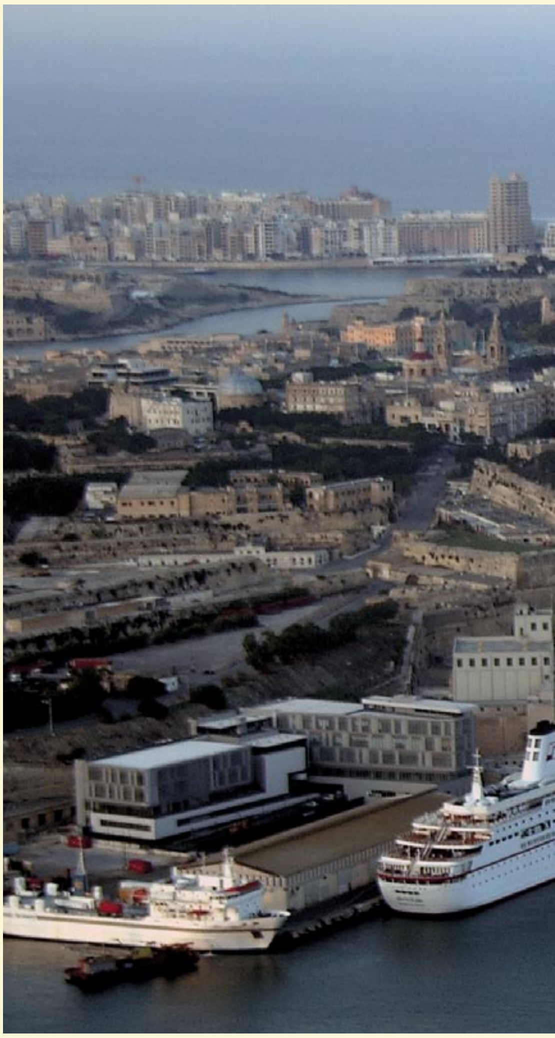
Star Cruises commenced homeport operations in Malta last summer, the first of its kind for the established cruise-liner operators in the Mediterranean. Furthermore, MSC Crociere and Costa Crociere both launched their operations to Malta offering cruise holidays in the Mediterranean.

Retailing

The ongoing development of this important business segment saw the conclusion of the total refurbishment of MIA's main outlet inside the Departure Lounge operated by Nuance and likewise works are underway on the outlet inside the Arrivals Hall.

The McDonald's outlet was also refurbished to cater for more clients, a development that was complemented with an increase in parking bays at the main carpark to cope with increasing business activity.

Two new outlets where opened inside the Departure Lounge – a casual wear outlet now offers the latest in fashion wear and accessories and



a new food court – the Jet Express, considered an innovation since it is the first concession to offer an open-air service.

The Sportsfans Diner underwent a major refurbishment and is now also a franchise of the renowned Italian pasta brand Barilla.


AIRPORT


Casual Wear


Barilla

Investment and Development

MIA has invested circa Lm2 million in the period under review in order to upgrade a number of services and initiate the projects that have been approved for operation in the near future.

New Arrivals Area

A new Arrivals Area was inaugurated at Malta International Airport, the first concrete step towards Malta's full adherence to the Schengen Treaty and MIA's compliance with related requisites.

The new Arrivals Area is the first phase of the Lm 1.8 million project that Malta International Airport has embarked upon to be in line with Schengen requirements.

Whilst maintaining the original aesthetics of the existing building, the new area has been developed to meet modern practices and an improved flow of passengers.

Incoming passengers are greeted by local characteristics such as the typical masonry and natural light that define indigenous scenery.

5th Baggage Reclaim Conveyer Belt

To complement the expansion of the Arrivals Area and the Schengen requirements, a 5th conveyer belt was installed inside the Baggage Reclaim Hall.

Upgrading of taxiways

A Lm4 million project to upgrade the taxiways and runways in order to increase the aircraft handling capacity was initiated in 2006.

It is expected that this project should be completed by 2009.


IAL AIRPORT


Arrivals

Our People Make the Difference

Employees' Suggestion Policy

MIA firmly believes that the hands-on experience of its employees is vital to the ongoing enhancements that the Company undertakes in order to improve the quality of service to its customers.

An effective measure is the Employees' Suggestion policy that has been operating for the past three years. A good number of suggestions are forwarded on a regular basis and each one is given due attention by the Company's management.

In most cases, the suggestions are deemed valid and are eventually considered for implementation.

The suggestions forwarded by the employees not only address internal issues to improve their work environment but also refer to the service MIA provides to its customers.

Training

Training is considered to be vital in the development of employees and MIA has invested no less than 8000 hours of training in 2006.

This means that, on average, MIA invested 20 hours of training per employee.

In addition, the Security and the Fire & Rescue Departments conduct obligatory training sessions each month in view of the sensitivity and level of alertness required by the staff in these Departments.

Staff Exchange Programmes

MIA employees continued to benefit from the Company's policy to offer opportunities of working for short periods in other European airports in order to gain experience and share ideas on work practices. Some 70 employees are benefitting from this staff exchange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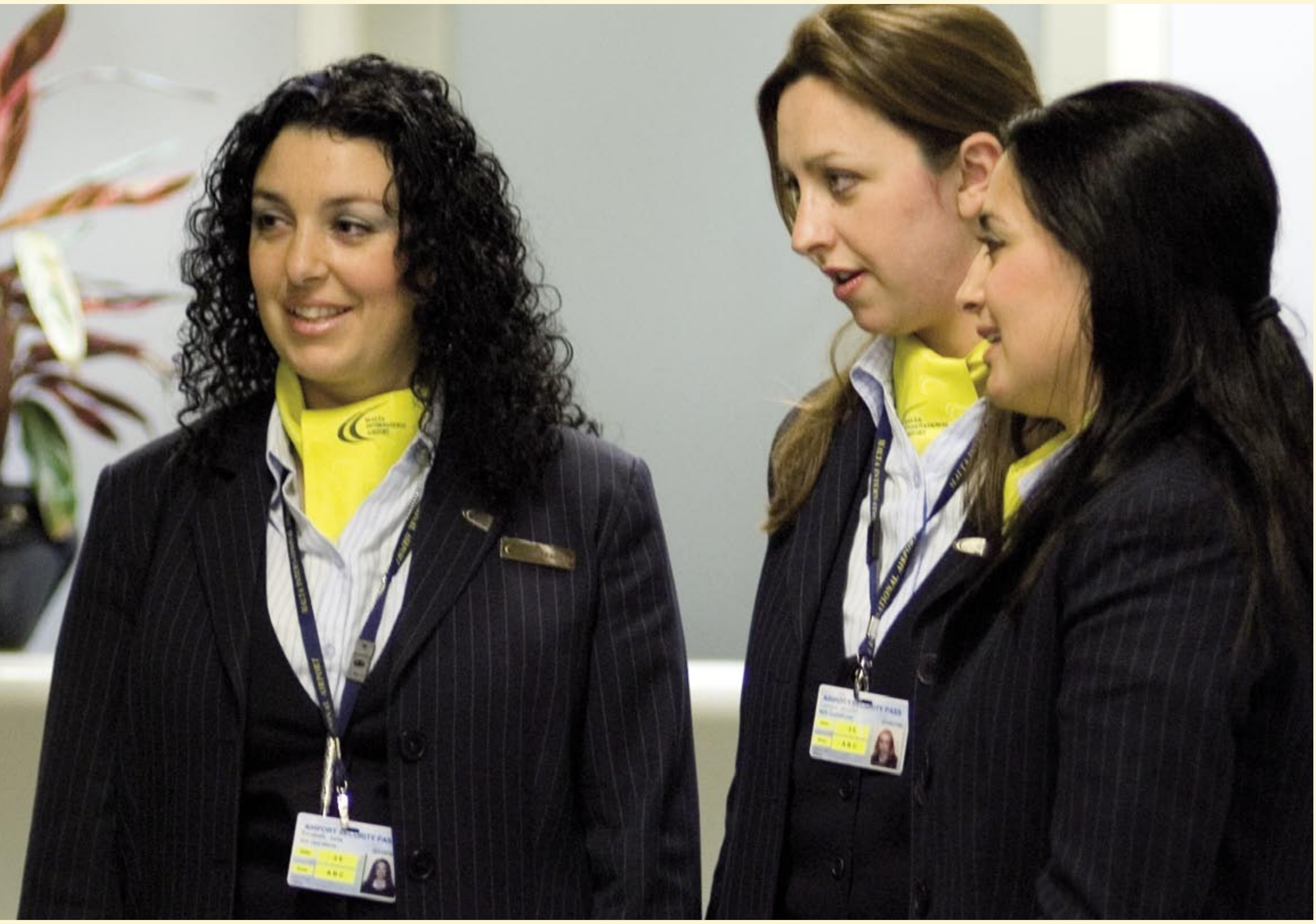


programme negotiated with Vienna International Airport. Furthermore, eight MIA employees have benefited from a month-long work experience at Munich Airport and likewise a group of trainees from Munich airport have come to Malta under the EU's Leonardo da Vinci programme.

Activities & Sport

MIA has a well-established Activities & Sports Club and allocates Lm 60 per annum per employee expressly for such purposes. Regular and varied events attract the participation of many of our employees, who in turn involve their relatives, friends and colleagues in activities and sports events organised by MIA.

In this way not only is MIA fulfilling the objectives of the Club, but it is also spreading the principle that MIA has a professional attitude in achieving its goals and actually motivates its employees whilst performing their duties.

To this end the Activities and Sports Club has always been a recipient of MIA's sponsorship policies as employees benefit directly from various offers associated with events that MIA supports.

Welfare Fund

A welfare fund has been established to support the various needs of MIA employees and their direct relatives. The fund is entirely administered by a committee formed by MIA employees and was particularly active in 2006 to assist colleagues in difficult circumstances.


IAL AIRPORT

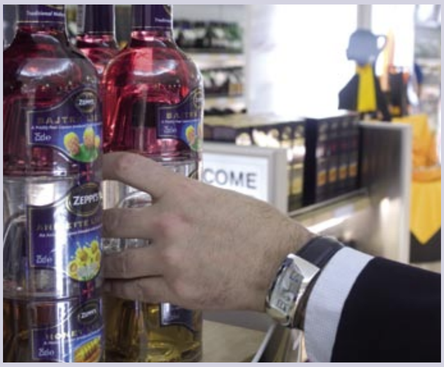

Lufthansa

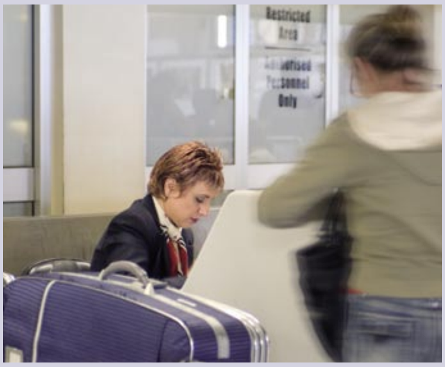

BRITISH AIRWAYS


Emirates


AIR MALTA


MALTA INTERNATIONAL





Financial Statements

Directors, officer and other information

Directors:	Michael Hoeferer	(Chairman)
	John Ellul Vincenti	(Deputy Chairman)
	Peter Bolech	(Chief Executive Officer)
	Austin Calleja	(Chief Financial Officer)
	Louis-M. St-Maurice	
	Winston J. Zahra	
	Karin Zipperer	
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	
Auditors:	Deloitte & Touche, 1, Col. Savona Street, Sliema, Malta.	
Principal bankers:	Bank of Valletta p.l.c., Corporate Centre, Canon Road, Santa Venera, Malta.	
Legal advisors:	Camilleri Preziosi Advocates, Level 2 - Valletta Buildings, South Street, Valletta, Malta.	

Directors' report

Period ended 31 December 2006

The directors present their report together with the audited financial statements for the period ended 31 December 2006.

Principal activities

The company's principal activities are the development, operation and management of Malta International Airport p.l.c. Upon privatisation, the company was granted a 65 year concession to operate Malta's only airport, this concession commenced in July 2002. The company is also involved through a 10% shareholding interest in VISET Malta p.l.c., a company set up to develop the Valletta Waterfront and operate a cruise liner terminal in Grand Harbour.

Change in accounting reference date

During the year the company changed its accounting reference date to 31 December. This change was made in order to align the company's financial results with those of its operations statistics. Because of this change in the company's accounting year-end, the annual financial statements presented herewith are for a period of nine months and therefore, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not comparable.

Performance review

The decline in passenger traffic experienced in the last few years continued throughout 2006 with the exception of November and December 2006 which showed encouraging increases.

The company continued in its efforts to encourage new airlines to fly to Malta and some successes were recorded. However, a number of schemes introduced by Malta International Airport p.l.c., together with the Government of Malta aimed at inducing travel to and from underserved destinations, were not taken up by any airline. Nevertheless, our marketing team introduced new routes and new airlines for summer 2006 and they are constantly seeking new opportunities to increase passenger traffic by having on-going talks with existing and prospective airlines to increase or commence operations to Malta.

The results of the company for the nine-month financial period 1 April 2006 to 31 December 2006 show a profit on ordinary activities before taxation of *Lm4,910,618* (31.03.2006 – *Lm4,896,850*). These results are *Lm13,768* better than the results of the previous full 12-month period and highlights the seasonality of the business. The passenger traffic for this period was 2.1% less than the traffic for the same period last year and the improved results is largely due to the fact that revenues are concentrated mainly in the summer months.

The revenue of the company decreased from *Lm16,686,758* to *Lm14,053,331*, but staff costs are also down from *Lm3,351,520* to *Lm2,589,248* and operating expenses from *Lm6,008,912* to *Lm4,754,780* giving a profit after tax for the 9-month period of *Lm3,118,225* compared to *Lm3,076,413* for the previous 12-month period.

Commercial income from retail and catering outlets showed modest but constant increases throughout the financial year. Two new catering outlets opened during this period and a large tax-free outlet refurbished its premises extensively. We anticipate that the results will continue to improve in the coming years as the transition from the dependence on the revenue on tax-free tobacco and alcohol shifts to other products. By the end of the first quarter of 2007, we are also expecting to open about 200sq metres of new retail area in the departure lounge.

The development of the area in front of the main air terminal remains one of the top priorities of the company. Prolonged talks with a prospective investor during the first half of 2006 ended without success. However, management is currently holding more talks with other investors with the aim of concluding a deal with one or more interested parties in the best interest of the company.

Directors' report

Period ended 31 December 2006

Share capital

The company did not modify the structure of its share capital during the period. No further issues were made nor did the company acquire ownership of, or any rights over, any portion of its own share capital.

Results and dividends

The financial results of the company for the nine month period ended 31 December 2006 are shown in the income statement on page 37. The profit for the nine month period after taxation amounted to *Lm3,118,225* compared to *Lm3,076,413* in the prior financial year.

The policy of the company is to distribute all the profits available for distribution in each year, subject to the company retaining adequate levels of working capital. Further to the interim dividends paid of *Lm1,691,250* (gross *Lm2,601,923*), the Board of directors is recommending the payment of a final net dividend of 2.2 cents per share (gross 3.38 cents) on all shares settled as at close of business 23 April 2007 which dividend shall be paid not later than 15 May 2007.

Directors

The directors who served during the period were:

Michael Hoeferer	Chairman	Louis-M. St-Maurice	
John Ellul Vincenti	Deputy Chairman	Winston J. Zahra	
Peter Bolech	Chief Executive Officer	Karin Zipperer	(appointed 13 July 2006)
Austin Calleja	Chief Financial Officer	Jean Depasquale	(resigned on 13 July 2006)

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.

Directors' interests

The interests of the directors holding office at the end of the period in the ordinary shares of the company are shown in note 24 to the financial statements. None of the current directors had a material interest in any contract of significance to which the company was a party during the financial period.

Auditors

A resolution to reappoint Deloitte & Touche as auditors 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 and signed on its behalf on 1 March 2007 by:

Michael Hoeferer
Chairman

Peter Bolech
Chief Executive Officer

Statement of directors' responsibilities

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

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

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 which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance – Statement of Compliance

1. Introduction

Pursuant to Rule 8.26 of the Listing Rules issued by the Listing Authority, Malta International Airport p.l.c. ("the Company") is hereby reporting on the extent of its adoption of the "Code of the Principles of Good Corporate Governance" (hereinafter "the Code") appended to the said Listing Rules.

The Company acknowledges that the Code does not generally dictate or prescribe mandatory rules but recommends principles of good practice. However, the directors strongly believe that such practices are in the best interests of the Company and its shareholders and that compliance with 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 of the Company ("the Board") has carried out a review of the Company's compliance with the Code from the 1 April 2006 up to the end of the financial period being reported upon.

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. This structure is characterised by the structure of the Company's Board, which is composed of five Non-Executive Directors and two Executive Directors, and by two further features as follows:

The first feature is the Board's delegation of specific responsibilities to a number of Committees, notably the Executive Committee and the Audit Committee each of which operates under formal terms of reference. The Executive Committee is headed by the Chief Executive Officer and consists of each Department Head. The Audit Committee is composed of three Non-Executive Directors of the Company.

The second feature is that the Board is composed of a balance of five Non-Executive Directors and two Executive Directors, a balance that is entrenched in the Company's Memorandum and Articles, which requires that the CEO is an ex ufficio director together with another senior executive 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 of the Company and the implementation of polices that allows effective discussion and the availibility of all the information necessary to carry out their functions in the best possible manner. This is also in line with the wording of the provisions laid down in paragraph 2.3 of the Code in terms of having a mix of Executive and Non-Executive Directors.

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.

On the other hand the Directors believe that certain other committees or boards that are suggested in the Code are not required at this stage by the Company. For example it is the Board, rather than a Remuneration Committee, that determines the remuneration packages of the Company's Executive Directors and other Executives. The Board believes that due to the fact that the Board is composed mainly of Non-Executive Directors, the need to set up a separate Remuneration Committee does not exist. This belief is founded on the premise that the justification to establish a Remuneration Committee is to avoid a situation where Executive Directors participate in the determination of their own remuneration packages. This same objective can be attained in as expedient and efficient a manner by having the Board determine executive pay where Executive Directors do not participate in discussions setting out their remuneration. To comply with the requirements of the Code as regards the disclosure of directors' remuneration, the Board has opted to disclose an aggregate figure. For the financial year under review the aggregate remuneration of the directors of the Company, including remuneration paid to the two Executive Directors, amounted to Lm81,699. Notwithstanding the above during the financial year under review the Board, in its 180th meeting appointed an ad hoc remuneration committee consisting of John Ellul Vincenti, Louis St-Maurice, Winston J. Zahra and Peter Bolech, together with an outside consultant to devise a strategy and policy on executive remuneration within the Company, including any performance linked remuneration and to make its recommendations to the Board of Directors about the policies to be adopted in this respect. The term executive remuneration includes the remuneration of the CEO and the CFO.

The Company's current organisational structure already contemplates the role of a Chief Executive Officer, a position which is occupied by Mr Peter Bolech whose role is to head the executive team of the Company and ensure the implementation of Board policies.

The Board considers that the Company has complied with the Code throughout the period under review in this report.

The Statement of Directors' Responsibilities for preparing the financial statements is set out on page 33.

Corporate Governance – Statement of Compliance

2. Board of Directors

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 and the appointment of the second Executive Director (not the CEO).

As stated above, the Board of Directors currently comprises five Non-Executive Directors one of which is appointed by the Government of Malta, another two by Malta Mediterranean Link Consortium Limited and two by public investors. The Board normally meets every six weeks. During the financial period under review the Board established a guideline whereby at its first meeting, it scheduled meetings 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 and the Audit Committees which operate under their respective formal terms of reference. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

3. Committees

3.1 The Executive Committee meets once a week and concentrates on policy execution, business development, finance, security, administrative and personnel matters, and makes recommendations to the Board on matters which are beyond its remit. Mr Peter Bolech chairs the Executive Committee and its other members include the CFO and other Executive Officers of the Company.

3.2 The Audit Committee has met four times, and has as its principal role the monitoring of internal systems and controls. The composition of the Committee is reserved to three Non-Executive Directors but the Committee has the authority to summon any person to assist it in the performance of its duties. Its permanent members are Mr. John Ellul Vincenti as Chairman, Mr Louis-St-Maurice and Mr Winston J. Zahra .

4. Senior Executive Management

Senior executive management is presently entrusted to seven Executive Officers who are also members of the Executive Committee. The link between the Executive Committee and the Board is attained through the presence in the Board of the CEO and CFO as Executive Directors with full rights to attend and vote at such meetings. The Executive Officers also form part of Board-appointed Committees as described in this document where they carry full voting rights.

The Company's senior executive management is appointed by the Chief Executive Officer who also determines their terms of appointment and remuneration, within parameters established by the Board.

The Company has in place a number of measures intended to ensure training of senior executives and other members of management.

5. Annual General Meeting

Business at the Company's Annual General Meeting (AGM) will cover the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, 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.

Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, through a quarterly newsletter for shareholders, and by company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with its shareholders to ensure that its strategies and performance are well understood. The Company's website (www.maltairport.com) also contains a corporate information section.

Corporate Governance – Statement of Compliance

6. 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. In an attempt to strengthen this function the Board has re-designed the function of the internal auditors with reporting duties also to the CEO and to function more closely to management. This is designed to ensure that any shortcomings detected by the internal auditors are reported in a more timely and expeditious manner directly to management so that prompt action can be taken.

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:

6.1 Organisation

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

6.2 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.

6.3 Risk Identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business.

7. Information and Communication

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.

The Directors consider that during the financial year under review the Company has put in place appropriate structures to comply with the principles and underlying spirit of the Code. However they shall keep the situation under regular review as appropriate.

Income statement
Period ended 31 December 2006

	Notes	**31.12.2006 (9 months) Lm**	31.03.2006 (12 months) Lm
Revenue	*5*	**14,053,331**	16,686,758
Staff costs	*10*	**(2,589,248)**	(3,351,520)
Other operating expenses	*8*	**(4,754,780)**	(6,008,912)
Depreciation		**(1,351,840)**	(1,588,823)
Investment income	*6*	**108,720**	61,174
Finance costs	*7*	**(648,355)**	(1,025,547)
Release of deferred income arising on the sale of terminal buildings and fixtures		**92,790**	123,720
Profit before tax	*8*	**4,910,618**	4,896,850
Income tax expense	*11*	**(1,792,393)**	(1,820,437)
Profit for the period/year		**3,118,225**	3,076,413
Earnings per share	*28*	**4.61 c**	4.55 c

Balance sheet

31 December 2006

	Notes	**31.12.2006**	31.03.2006
		Lm	Lm
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**41,212,948**	40,989,696
Financial assets	*14*	**379,800**	373,300
Deferred tax assets	*15*	**1,765,295**	1,821,289
		43,358,043	43,184,285
Current assets			
Inventories	*16*	**456,340**	438,503
Trade and other receivables	*17*	**3,364,329**	2,628,445
Cash and cash equivalents	*27*	**2,301,975**	3,787,834
		6,122,644	6,854,782
Total assets		**49,480,687**	50,039,067
Current liabilities			
Trade and other payables	*18*	**1,956,200**	2,455,302
Other financial liabilities	*20*	**33,477**	91,877
Bank loans	*19*	**500,000**	-
Current tax liabilities		**1,050,878**	1,116,102
		3,540,555	3,663,281
Non-current liabilities			
Bank loans	*19*	**19,500,000**	20,000,000
Deferred income	*21*	**3,458,509**	3,348,509
Provision for retirement benefit fund	*22*	**1,441,276**	1,434,038
		24,399,785	24,782,547
Total liabilities		**27,940,340**	28,445,828
Net assets		**21,540,347**	21,593,239
EQUITY			
Share capital	*23*	**13,530,000**	13,530,000
Revaluation reserve	*25*	**736,057**	751,719
Retained earnings		**7,274,290**	7,311,520
Total equity		**21,540,347**	21,593,239

These financial statements were approved by the board of directors, authorised for issue on 1 March 2007 and signed on its behalf by:

Michael Hoeferer
Chairman

Peter Bolech
Chief Executive Officer

Austin Calleja
Chief Financial Officer

Statement of changes in equity

Period ended 31 December 2006

	Share capital Lm	Revaluation reserve Lm	Retained earnings Lm	Total Lm
Balance at 1 April 2005	13,530,000	772,600	7,382,531	21,685,131
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(32,126)	32,126	-
Deferred tax liability on revaluation	-	11,245	-	11,245
Net income recognised directly in equity	-	(20,881)	32,126	11,245
Profit for the year	-	-	3,076,413	3,076,413
Total recognised income and expense for the year	-	(20,881)	3,108,539	3,087,658
Dividends (note 12)	-	-	(3,179,550)	(3,179,550)
Balance at 1 April 2006	13,530,000	751,719	7,311,520	21,593,239
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(24,095)	24,095	-
Deferred tax liability on revaluation	-	8,433	-	8,433
Net income recognised directly in equity	-	(15,662)	24,095	8,433
Profit for the period	-	-	3,118,225	3,118,225
Total recognised income and expense for the period	-	(15,662)	3,142,320	3,126,658
Dividends (note 12)	-	-	(3,179,550)	(3,179,550)
Balance at 31 December 2006	**13,530,000**	**736,057**	**7,274,290**	**21,540,347**

Cash flow statement

Period ended 31 December 2006

	Notes	**31.12.2006 (9 months) Lm**	31.03.2006 (12 months) Lm
Net cash flows from operating activities	*26*	**2,960,473**	6,410,311
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,575,790)**	(2,132,226)
Grants in respect of capital expenditure		**202,788**	-
Purchase of financial assets		**(6,500)**	(6,500)
Proceeds from sale of property, plant and equipment		**4,000**	-
Investment income received		**-**	6,000
Interest received		**108,720**	61,174
Net cash flows from investing activities		**(1,266,782)**	(2,071,552)
Cash flows from financing activities			
Dividends paid		**(3,179,550)**	(3,179,550)
Net movement in cash and cash equivalents		**(1,485,859)**	1,159,209
Cash and cash equivalents at the beginning of the period/year		**3,787,834**	2,628,625
Cash and cash equivalents at the end of the period/year	*27*	**2,301,975**	3,787,834

Notes to the financial statements
31 December 2006

1. Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are set out below.

During the year the company changed its accounting reference date to 31 December. This was considered more appropriate in order to align the company's financial results with those of its operations statistics. Because of this change in the company's accounting year-end, the annual financial statements presented herewith are for a period of nine months and therefore, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not comparable.

2. Significant accounting policies

Property, plant and equipment
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. 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 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, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Every year, the difference between depreciation of buildings based on the fair value at the date of change in title of the underlying land 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.

Assets in the course of construction
Assets in the course of construction for production, rental, capital appreciation or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

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% per annum
Furniture, fixtures, plant and equipment	-	10% - 33 1/3% per annum

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the financial statements
31 December 2006

2. Significant accounting policies (continued)

Financial instruments
Financial assets and financial liabilities are recognised when the company becomes 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 balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

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

(ii) Investments
Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by 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 market price in an active market 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 equity, 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 equity is recognised in profit or loss.

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

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

(v) Shares issued by the company
Ordinary shares issued by the company are classified as equity instruments.

2. Significant accounting policies (continued)

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.

Impairment
All assets are tested for impairment except for deferred tax assets. At each balance sheet 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.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market 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.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the 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 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 equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is not reversed in a subsequent period.

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

(i) Provision of services
Revenue from the provision of services is recognised in the period 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.

Notes to the financial statements
31 December 2006

2. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Interest income
Interest income is recognised on an accruals basis.

(iii) Grants
Grants received are recognised when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received.
Grants related to assets are presented in the balance sheet 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 terminal building and fixtures is transferred to the income statement in equal annual instalments over the lease term.

Borrowing costs
Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership 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.

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.

Taxation
Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the current deferred tax is also dealt with in equity.
The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 and deferred tax assets, including deferred tax assets for the carryforward 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 by the balance sheet date.
Deferred tax assets and liabilities are offset when the company has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements
31 December 2006

2. Significant accounting policies (continued)

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

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

Currency translation
The financial statements of the company are presented in its functional currency, the Maltese Lira, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits 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.

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and at the balance sheet date, 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, other than those disclosed in note 22.

4. International Financial Reporting Standards in issue but not yet effective

The directors anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

5. Revenue

Revenue represents the amount receivable for services rendered during the period, net of any indirect taxes.

Notes to the financial statements
31 December 2006

5. Revenue (continued)

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

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
By activity:		
Regulated fees	**10,217,841**	11,981,327
Commercial fees	**2,844,803**	3,423,077
Recharges and other income	**990,687**	1,282,354
	14,053,331	16,686,758

6. Investment income

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Interest income on bank deposits	**108,720**	61,174

7. Finance costs

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Interest on bank loans	**648,355**	1,025,492
Loss on disposal of treasury bills	**-**	55
	648,355	1,025,547

8. Profit before tax

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
This is stated after charging/(crediting):		
Auditors' remuneration	**7,500**	7,500
Depreciation of property, plant and equipment	**1,351,840**	1,588,822
Net exchange differences	**3,010**	(950)
Operating lease payments	**37,435**	41,520
Provision for bad debts	**(3,300)**	(119,830)
Stock write-off	**16,940**	-

Other operating expenses include all the company's operating expenses apart from staff costs and depreciation charges which are disclosed separately.

9. Key management personnel compensation

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Directors' compensation:		
Short-term benefits:		
Fees	**18,658**	24,083
Management remuneration	**63,041**	91,466
Social security costs	**1,044**	1,374
	82,743	116,923

In addition during the period under review the company granted other benefits to its directors. The aggregate amount of allowances paid amounted to *Lm28,104* (31.03.2006 – *Lm39,051*). These amounts are included with other operating expenses.

Also during the period under review, the company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to *Lm7,867* (31.03.2006 – *Lm26,663*). These amounts are included with other operating expenses.

Notes to the financial statements
31 December 2006

10. Staff costs and employee information

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Staff costs:		
Wages and salaries	**2,277,433**	3,045,147
Social security costs	**169,999**	233,318
Retirement benefit costs	**141,816**	73,055
	2,589,248	3,351,520

The average number of persons employed during the period, including executive directors, was made up as follows:

	31.12.2006 Number	31.03.2006 Number
Business development, operations and marketing	**104**	112
Finance, IT and information management	**23**	23
Firemen	**45**	45
Meteorological office	**16**	16
Safety, security and administration	**90**	90
Technical and engineering	**101**	101
	379	387

11. Income tax expense

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Current tax expense	**1,727,966**	1,724,475
Deferred tax expense (note 15)	**64,427**	95,962
	1,792,393	1,820,437

Notes to the financial statements
31 December 2006

11. Income tax expense (continued)

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

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Profit for the period/year	**4,910,618**	4,896,850
Tax at the applicable rate of 35%	**1,718,716**	1,713,897
Tax effect of:		
Depreciation charges not deductible by way of capital allowances in determining taxable income	**95,343**	112,196
Disallowed expenses in taxable income	**5,569**	6,449
Investment income subject to lower tax rates	**(27,235)**	(12,105)
Tax charge for the period/year	**1,792,393**	1,820,437

12. Dividends

The net dividend of *Lm1,488,300* (2.2 cents per ordinary share) proposed by the directors in the previous financial year was declared by the shareholders at the Annual General Meeting on 13 July 2006 and was paid on 31 August 2006.

In respect of the current period, on 30 December 2006 a net dividend of *Lm1,691,250* (2.5 cents per share) (2005 – *Lm1,691,250* (2.5 cents per share)) was paid to ordinary shareholders.

The directors propose that a net dividend of 2.2 cents per ordinary share will be paid to ordinary shareholders. 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 *Lm1,488,300*.

Notes to the financial statements
31 December 2006

13. Property, plant and equipment

	Land held on temporary emphyteusis Lm	Buildings Lm	Furniture, fixtures, plant and equipment Lm	Total Lm
Cost				
At 01.04.2005	18,044,970	23,917,456	19,467,263	61,429,689
Additions	-	37,866	2,094,360	2,132,226
Disposals	-	-	(21,474)	(21,474)
Transfers	-	143,335	(143,335)	-
At 01.04.2006	18,044,970	24,098,657	21,396,814	63,540,441
Additions	-	323,215	1,255,877	1,579,092
Disposals	-	-	(10,000)	(10,000)
At 31.12.2006	18,044,970	24,421,872	22,642,691	65,109,533
Accumulated depreciation				
At 01.04.2005	740,307	4,898,703	15,343,007	20,982,017
Provision for the year	277,615	478,205	833,002	1,588,822
Eliminated on disposals	-	-	(20,094)	(20,094)
Reversals	-	13,729	(13,729)	-
At 01.04.2006	1,017,922	5,390,637	16,142,186	22,550,745
Provision for the period	208,211	380,639	762,990	1,351,840
Eliminated on disposal	-	-	(6,000)	(6,000)
At 31.12.2006	1,226,133	5,771,276	16,899,176	23,896,585
Carrying amount				
At 31.03.2006	17,027,048	18,708,020	5,254,628	40,989,696
At 31.12.2006	**16,818,837**	**18,650,596**	**5,743,515**	**41,212,948**

No depreciation is being charged on assets not yet put into use amounting to *Lm628,299* (31.03.2006 – *Lm1,956,838*).

Notes to the financial statements
31 December 2006

14. Financial assets

Available-for-sale investment

	Local unlisted Lm
Cost	
At 01.04.2005	366,800
Additions	6,500
At 01.04.2006	373,300
Additions	6,500
At 31.12.2006	**379,800**

This financial asset represents an investment in unlisted securities which present the company with opportunity for return through dividend.

15. Deferred taxation

	31.03.2006 Lm	Movement for the year Lm	**31.12.2006 Lm**
Arising on:			
Accelerated tax depreciation	501,716	(27,607)	**474,109**
Provision for pension costs	501,913	2,534	**504,447**
Deferred income	1,215,280	(32,476)	**1,182,804**
Other temporary differences	7,146	(6,878)	**268**
	2,226,055	(64,427)	**2,161,628**
Revaluation of properties prior to change in title of the underlying land	(404,766)	8,433	**(396,333)**
	1,821,289	(55,994)	**1,765,295**

Notes to the financial statements
31 December 2006

16. Inventories

	31.12.2006	31.03.2006
	Lm	Lm
Consumables	**456,340**	438,503

17. Trade and other receivables

	31.12.2006	31.03.2006
	Lm	Lm
Trade receivables	**2,563,582**	1,562,518
Other receivables	**163,724**	181,029
Amounts owed by related parties	**110,922**	60,286
Prepayments and accrued income	**526,101**	824,612
	3,364,329	2,628,445

The terms and conditions of the amounts owed by related parties are disclosed in note 31.

18. Trade and other payables

	31.12.2006	31.03.2006
	Lm	Lm
Trade payables	**657,576**	748,618
Other payables	**846**	-
Accruals and deferred income	**1,297,778**	1,706,684
	1,956,200	2,455,302

Notes to the financial statements
31 December 2006

19. Bank loans

	31.12.2006	31.03.2006
	Lm	Lm
Bank loans	**20,000,000**	20,000,000

Bank loans are repayable as follows:

On demand or within one year	**500,000**	-
In the second year	**500,000**	500,000
In the third year	**500,000**	500,000
In the fourth year	**500,000**	500,000
In the fifth year	**500,000**	500,000
After five years	**17,500,000**	18,000,000
	20,000,000	20,000,000
Less: amount due for settlement within 12 months (shown as current liabilities)	**500,000**	-
Amount due for settlement after 12 months	**19,500,000**	20,000,000

The bank loan, which will expire in 2026, is secured by a general hypothec for *Lm26,000,000* over all the company's present and future assets, with the exception of terminal buildings and other sites. At the balance sheet date the loan is charged interest at 4.55% (year ended 31.03.2006 – 4.05%) per annum.

20. Other financial liabilities

	31.12.2006	31.03.2006
	Lm	Lm
Amounts owed to related parties	**33,477**	91,877

The terms and conditions of the related party loans are disclosed in note 31. Though these loans have no fixed date for repayment, the company has no unconditional right to defer settlement of these loans for at least twelve months after the balance sheet date.

Notes to the financial statements
31 December 2006

21. Deferred income

	31.12.2006	31.03.2006
	Lm	Lm
Deferred income	**3,348,509**	3,472,229
Add: overprovision in prior year	**30,932**	-
Less: amounts included in current liabilities	**(123,720)**	(123,720)
European Commission grant	**202,788**	-
	3,458,509	3,348,509

The deferred income arising from the gain on disposal of the terminal building that took place prior to privatisation in 2002 is being taken to income in accordance with the accounting policy stated in note 2.

22. Provision for retirement benefits

	31.12.2006	31.03.2006
	Lm	Lm
Provision for retirement benefit fund	**1,441,276**	1,434,038

The provision for retirement benefits is unfunded and represents the year-end provision for possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the company. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the company's obligation discounted to the net present value at the rate of 6% after considering the average life expectancy of such employees and expected increases in salaries, where applicable. The movement in the provision for retirement benefits may be analysed as follows:

	31.12.2006	31.03.2006
	Lm	Lm
Balance at 1 April	**1,434,038**	1,360,983
Payments effected	**(134,578)**	-
Charge for the period/year	**141,816**	73,055
Balance at 31 December/31 March	**1,441,276**	1,434,038

Notes to the financial statements
31 December 2006

23. Share capital

	31.03.2006 and 31.12.2006	
	Authorised Lm	Issued and called up Lm
40,589,995 "A" ordinary shares of Lm0.20 each (all of which have been issued, called up and fully paid)	**8,117,999**	**8,117,999**
27,060,000 "B" ordinary shares of Lm0.20 each (all of which have been issued, called up and fully paid)	**5,412,000**	**5,412,000**
5 "C" ordinary shares of Lm0.20 each (all of which have been issued, called up and fully paid)	**1**	**1**
32,350,000 unissued ordinary shares of Lm0.20 each (none of which have been issued and called up)	**6,470,000**	**-**
	20,000,000	**13,530,000**

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-transferrable 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 2006

23. Share capital (continued)

Shareholders

The shareholders owning 5% or more of the company's equity share capital at 31 December 2006 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

The number of holders of each class of share at 31 December 2006 was as follows:

Number of ordinary shares held	**Number of accounts**	**Number of shares**	**% of shares**
Ordinary 'A' shares			
1 - 1,000	**2,894**	**2,130,203**	**3.15**
1,001 - 5,000	**3,367**	**7,960,804**	**11.77**
> 5,000	**686**	**30,498,988**	**45.08**
	6,947	**40,589,995**	**60.00**
Ordinary 'B' shares	**1**	**27,060,000**	**40.00**
Ordinary 'C' shares	**1**	**5**	**0.00**
	6,949	**67,650,000**	**100.00**

The above number of holders did not differ significantly from 31 December 2006 to 1 March 2007.

24. Directors' interests

The beneficial and non-beneficial interests of the directors who held shares in the company at the end of the period are set out below:

	Beneficial shares	**Non-beneficial shares**
Austin Calleja	**6,000**	**-**
Jean Depasquale (resigned on 13.07.2006)	**9,900**	**1,300**
	15,900	**1,300**

The above holdings have not changed from 31 December 2006 to 1 March 2007.

Notes to the financial statements
31 December 2006

25. Revaluation reserve

The revaluation reserve emanates from the revaluation of the company's buildings prior to the change in title to land and buildings.

26. Net cash flows from operating activities

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Profit before tax	**4,910,618**	4,896,850
Adjustments for:		
Depreciation	**1,351,840**	1,588,823
Gain on sale of property, plant and equipment	**-**	(4,620)
Interest expense	**648,355**	1,035,669
Release of deferred income arising on the sale of the terminal building and fixtures	**(92,790)**	(123,720)
Interest income	**(108,720)**	(61,174)
Provision for retirement benefits	**141,816**	73,055
Provision for bad debts	**(3,300)**	(119,830)
Loss on disposal of treasury bills	**-**	55
Operating profit before working capital movement	**6,847,819**	7,285,108
Movement in inventories	**(17,837)**	(21,376)
Movement in trade and other receivables	**(735,884)**	478,620
Movement in trade and other payables	**(692,080)**	187,701
Cash flows from operations	**5,402,018**	7,930,053
Interest paid	**(648,355)**	(1,035,669)
Income taxes paid	**(1,793,190)**	(484,073)
Net cash flows from operating activities	**2,960,473**	6,410,311

27. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	31.12.2006 Lm	31.03.2006 Lm
Cash and cash equivalents	**2,301,975**	3,787,834

Notes to the financial statements
31 December 2006

28. Earnings per share

Earnings per ordinary share have been calculated by dividing the profit for the period after taxation by the average number of ordinary shares in issue during the period.

	2006	2005
Weighted average number of shares in issue	**67,650,000**	67,650,000
Earnings per share (Lm)	**4.61**	4.55

29. Capital commitments

	31.12.2006 Lm	31.03.2006 Lm
Contracted but not provided for	**394,217**	475,400
Authorised but not contracted for	**962,220**	540,000

30. Contingent liabilities

At the balance sheet date there existed:

(i) claims filed by former employees of the company with the Tribunal for the Investigation of Injustices for unfair promotions and dismissals amounting to approximately *Lm30,500*;

(ii) a dispute with the Government of Malta which arose in 2005 and which could result in a claim. Government estimated at the time, the value of the claim to be in the region of *Lm750,000*; and

(iii) other claims by third parties.

In the directors' opinion, all the above claims are unfounded.

31. Related party disclosures

During the course of the period, the company entered into transactions with related parties as set out below:

Other than those disclosed in note 33 the related party transactions in question were:

	31.12.2006 (9 months)			31.03.2006 (12 months)		
	Related party activity Lm	**Total activity Lm**	**%**	Related party activity Lm	Total activity Lm	%
Revenue:						
Related party transactions with:						
Related parties other than the parent and key management personnel of the company	**765,030**	**14,053,331**	**5**	182,547	16,686,758	1
Other operating costs:						
Related party transactions with:						
Key management personnel of the company (note 9)	**102,120**			162,606		
Related parties other than the parent and key management personnel of the company	**211,768**			451,104		
	313,888	**4,896,596**	**6**	613,710	6,071,790	10

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties. The amounts due to/from related parties are disclosed in note 17 and 20. 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 interest-free.

32. Operating lease arrangements

	31.12.2006 (9 months) Lm	31.03.2006 (12 months) Lm
Minimum lease payments under operating lease recognised as an expense for the period	**225,000**	300,000

Notes to the financial statements
31 December 2006

32. Operating lease arrangements (continued)

At the balance sheet date, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31.12.2006	31.03.2006
	Lm	Lm
Within one year	**345,000**	300,000
In the second to fifth years inclusive	**1,380,000**	1,380,000
After five years	**48,837,900**	49,182,900
	50,562,900	50,862,900

Operating lease payments represent ground rent payable by the company on the temporary emphyteusis. Leases are determined up to the term of the lease, being 65 years.

33. Contracts of significance

Pursuant to Listing Rules 9.37.14 and 9.37.15 issued by the Listing Authority of the Malta Financial Services Authority, the contracts of significance entered into by the company in the period ended 31 December 2006 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 (Malta) Limited and SNC-Lavalin Inc., giving rise to an expense of *Lm287,276* (31.03.2006 – *Lm412,057*).

The Government of Malta

(i) The terminal land lease agreement with the Lands Department for *Lm225,000* (31.03.2006 – *Lm300,000*);
(ii) The contract for contribution to the Malta Tourism Authority for *Lm75,000* (31.03.2006 – *Lm100,000*);
(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of *Lm927,225* (31.03.2006 – *Lm1,236,300*);
(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of *Lm475,611* (31.03.2006 – *Lm527,544*);
(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of *Lm341,487* (31.03.2006 – *Lm378,775*);
(vi) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of *Lm573,566* (31.03.2006 – *Lm1,160,630*); and
(vii) The contract with Enemalta Corporation for fuel throughput charges generated the amount of *Lm483,636* (31.03.2006 – *Lm589,948*) in revenue.

34. Parent company

For the purposes of IAS 27 – Consolidated and Separate 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, the power to govern the financial and operating policies of the company so as to obtain benefits from its activities. The individual financial statements are incorporated in the group financial statements of Malta Mediterranean Link Consortium Limited.

35. Fair values of financial assets and financial liabilities

At 31 December 2006 and 31 March 2006 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 that are not measured at fair value. The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than unlisted investments that cannot be reliably measured and that are carried at cost, are not materially different from their carrying amounts.

Investments in equity instruments that do not have a quoted market price in an active market 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.

36. Financial risk management

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk, consist principally of receivables, investments and cash at bank. Receivables are presented net of an allowance for doubtful debts.

An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to debtors is limited due to credit control procedures and the number of customers comprising the company's debtor base. Investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

Interest rate risk

The company has taken out bank facilities to finance its operations as disclosed in note 19. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The company is exposed to cash flow interest rate risk on borrowings carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

Independent auditor’s report on Corporate Governance matters
to the members of
Malta International Airport p.l.c.

Pursuant to Listing Rule 8.26 issued by the Listing Authority of the Malta Financial Services Authority, the directors are required to include in their annual report a 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 8.28, which requires us to include a report on the Statement of Compliance.

We read the 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 system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 34 to 36 has been properly prepared in accordance with the requirements of Listing Rule 8.26.

Paul Mercieca

DELOITTE & TOUCHE
Certified Public Accountants

1 March 2007

Independent auditor's report
to the members of
Malta International Airport p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Malta International Airport p.l.c., set out on pages 37 to 61, which comprise the balance sheet of the company as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement of the company for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As also described in the statement of directors' responsibilities on page 33, the directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements 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. 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.

Opinion

In our opinion, the financial statements of the company give a true and fair view of the financial position of the company as of 31 December 2006 and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386).

Paul Mercieca

DELOITTE & TOUCHE
Certified Public Accountants

1 March 2007

PHOTO CREDITS

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