MALTA INTERNATIONAL AIRPORT

2007 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.

Traffic Highlights 2007

Scheduled and non-scheduled traffic

Passenger Movements			
	2007	**2,970,830**	**+ 10.4 %**
	2006	2,692,019	
Aircraft Movements			
	2007	**27,356**	**+ 10.7 %**
	2006	24,711	
Cargo and Mail (in tonnes)			
	2007	**18,052**	**- 1.2 %**
	2006	18,263	
Seat Capacity			
	2007	**4,244,443**	**+ 14.3 %**
	2006	3,713,819	
Seat Load Factor			
	2007	**70%**	
	2006	72%	
MTOW			
	2007	**2,019,940 tonnes**	**+12.8%**
	2006	1,790,798 tonnes	


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AIR MALTA

Chairman's Statement

It is indeed gratifying for me that my first contribution to the Business Report and Financial Statements as Chairman of Malta International Airport plc precedes the presentation of one of the most positive years for this Company that I have the honour to lead. These results, no doubt, are the fruit of an intensive business plan that has enabled us to ride the waves of the recent downturn in the tourism industry by embracing the challenges and availing ourselves of opportunities to achieve what we have today. These are results that emerge from our firm belief that joining forces with the major stakeholders is a vital tool for success and certainly our cooperation with the Malta Tourism Authority has proved its worth alongside the incentive formulae offered equally to new and traditional airlines which have caused our traffic graph to rise substantially thus triggering substantial revenue increases. This would not have been possible in the absence of a marketing strategy that identified the highest potential points and concentrated efforts to attract more traffic therefrom. Needless to say we believe that growth generates growth in all respects and these results do encourage us to embark on projects directed towards further growth with even greater confidence spurred by the positive disposition and expertise of our employees all across the board. It is moreover this environment that has prompted us to invest in our human resources to further enhance their professional performance in order to ensure even more substantial development in the coming years. To this end we are now working on an extensive investment programme that will cater for the envisaged increased capacities in the coming months.

I am therefore looking forward to contribute once again to this publication

this time next year in order to be able to report the completion of an ambitious expansion programme which will see our retail area extended by some 1000m^2 and security lanes increased from two to four and eventually six. This project will therefore provide for the terminal to handle 1500 passengers per hour throughout the entire operation by Spring 2009.

Finally I would also avail myself of this opportunity to express my appreciation to Peter Bolech who terminated his appointment after serving as Chief Executive Officer of MIA since August 2002 and to wish Julian Jaeger who has succeeded him as from January this year a continued success in all endeavours for the successful management of the Company to the satisfaction of our clients and shareholders. To all the staff at MIA who are the safeguard of these results and our guarantee of an efficiently run airport goes my most sincere gratitude.

Karin Zipperer
Chairman

Board of Directors

Winston J. Zahra
Deputy Chairman

Austin Calleja
Chief Financial Officer

Louis-M. St-Maurice
Director

Markus Klaushofer
Director

Michael Bianchi
Director

Louis de Gabriele
Company Secretary

CEO's Review

Malta International Airport plc has on many occasions been quoted as an example of a commendable exercise of privatisation and has been considered also by other countries as a successful model well-worth to emulate. The year in review deservedly confirms this success not merely in financial terms but equally in the accomplishment of projects and the realisation of marketing strategies that were set in the firm belief that these could generate the projected outcome.

Indeed our close cooperation with all stakeholders is pivotal in such achievements. Our contribution to the ongoing activities of the Malta Tourism Authority once again this year is substantiated not only in monetary terms, but more importantly through regular dialogue, and consultation in our effort to pursue common promotion policies that ensure increased traffic on routes where it is most necessary, and at times congenial to our traditional traffic flows. Similarly our cooperation with Air Malta is showing positive signs forward and will be pursued also in the future to a superior degree. This, alongside all our endeavours that have attracted a myriad of both low-cost airlines to operate to Malta, such as Ryanair, German Wings and Clickair, as well as legacy carriers to increase their routes. To this end in 2007 we launched the incentive scheme directed towards identified under-served markets, an initiative which in fact has already borne considerable results. In this regard we are supporting particularly the Spanish, East European and Scandinavian Markets and also untapped areas of France and Germany.

No doubt the appearance on the scene of the low-cost carriers has somewhat modified the panorama of air transport worldwide and whilst passenger flows have multiplied, this has in turn made an impact also on the non-aviation services. For this reason, and all the more so, since the construction of our terminal dates back to 1992, we have now embarked on an expansion project which not only amply accommodates Schengen requisites, such as the installation of additional security lanes which will ease current passenger flow, but will also cater adequately for the projected increase in passenger movements particularly for the Summer


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peaks. This investment has been undertaken not simply with financial considerations, but more importantly bearing in mind our customers' comfort and satisfaction, since it is our main concern to ensure a positive passenger experience for one and all.

The major changes that are taking place, starting from the resurfacing of our runway to the modification of the Air Terminal are all directed to improve the quality of service for both airlines and passengers alike. Furthermore the redesigning of our retail area will not only generate vital revenues but will also attractively characterise the project which is aimed to satisfy the ever-increasing passengers' demand. This expansion and remodelling entails an additional 1000 square metres of retail space also incorporating a new business lounge certainly ensuring additional value for our clients' stay at MIA.

When one considers the business perspective, the responsibility which is reflected in investments of such dimension undoubtedly has a bearing on our commitment to corporate and private shareholders alike. These developments have taken their course as Malta emerged into a new historical era on joining the Euro zone, indeed a political event which leaves its mark encouraging more business activity to Malta and prompting us therefore to act with more confidence and security.

In this regard it is significant to note that for the last three years we have paid an interim net dividend of 2.5 cents per share and a final net dividend of 2.2 cents totalling 4.7 cents. This year the Board of Directors have decided to increase the final net dividend from 2.2 cents to 2.49 cents per share for a total dividend for the year of almost 5 cents per share. The gross dividend yield of the Company is now a healthy 5.4% per annum.

For all this I would avail myself of this opportunity, for the first time as Chief Executive Officer of the Company, to thank all those who have contributed in some way or another to this success, whilst reiterating my commitment to always be sensitive to constructive critique in order that together we may always improve our services. In addition, our established sponsorship scheme constantly pursues its support of the three pillars we identified as intrincically associated to Maltese society as shown in the fields of Culture, the Environment and Sport, since we earnestly maintain that Malta International Airport does not only belong to some but to all the Maltese population in its entirety.

Julian Jaeger
Chief Executive Officer

Highlights 2007

Malta International Airport was entrusted with the responsibility of making the necessary preparations for Malta's implementation of the Schengen Treaty. Modifications were agreed to between Malta and the EU in the course of the pre-accession negotiations.

The new Schengen/ Non-Schengen Departure facilities were inaugurated in preparation for the Treaty implementation well ahead of schedule.

The first phase of the Schengen implementation project was entirely financed by MIA for an investment of €2.8 million whereas the second phase cost €1.05 million and was co-financed by the Norwegian Fund Mechanism.

> “MIA’s esteemed corporate support of Fondazzjoni Patrimonju Malti contributed in no small measure to the successful outcome of the restoration of the 13th century Palazzo Falson in Mdina, a major project that entailed five years to complete.”

Maurice de Giorgio
Chairman,
Fondazzjoni Patrimonju Malti

Highlights 2007

Works on the partial resurfacing of Runway 32/14 as part of the general upgrading programme on airside commenced in 2007. The project also includes the modification of a number of taxiways which will create additional aircraft movement capacity given projected traffic increases.

The resurfacing works of Runway 32/14 entailed a major project worth a €1.86 million investment.

The works on the taxiways and airfield infrastructure upgrading programme is co-financed by the European Union under the TEN-T Non-MIP Call of 2005.

It sounded too good then not to miss the investment opportunity that was presented to us when MIA was privatised. We eagerly invested our money in this established organisation and we indeed see this as an excellent opportunity with a sound return for our investment.

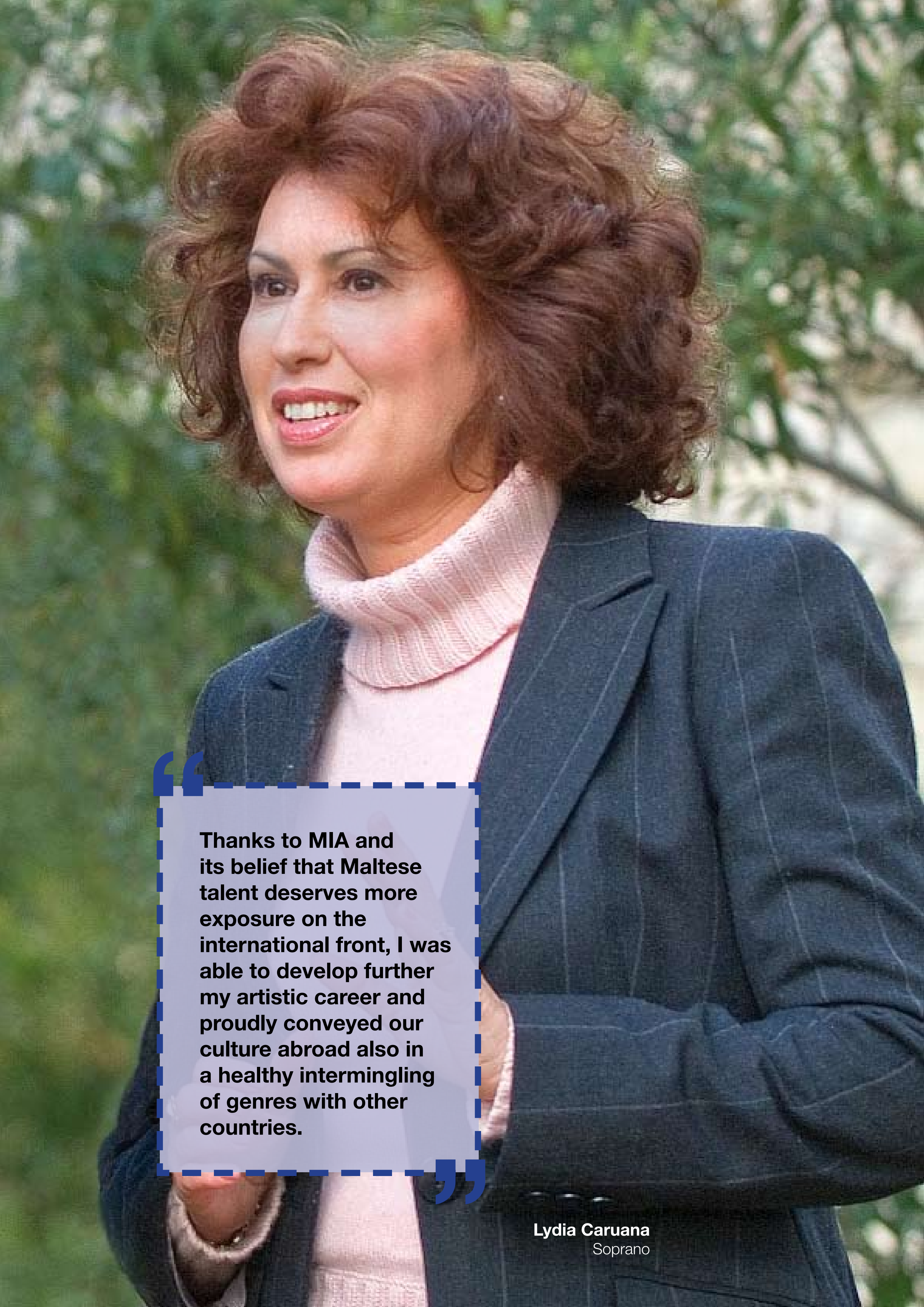
Edith and Thomas Zerafa
MIA Shareholders

Highlights 2007

Expansion works on landside are underway extending the departures area to improve services and facilties at the air terminal.

This incorporates the upgrading of the security area with enhanced equipment, additional retail outlets and a more spacious executive lounge for a total investment of €4 million.

In view of the projected increases in passenger movements, existing check-points are being improved to create more space and expedite passenger flows.



“Thanks to MIA and its belief that Maltese talent deserves more exposure on the international front, I was able to develop further my artistic career and proudly conveyed our culture abroad also in a healthy intermingling of genres with other countries.”

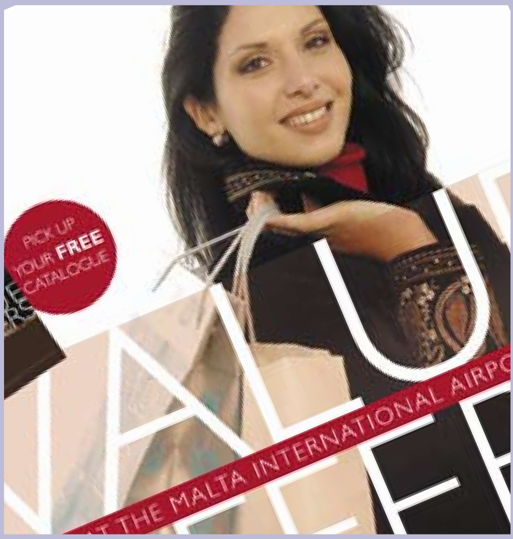
Lydia Caruana
Soprano

Highlights 2007

MIA increased its turnover on retailing by 20% which marks the most significant growth registered since Malta's accession to the EU whereby tax-free facilities for travelling to EU countries were withdrawn.

The Nuance Group refurbished all its three outlets at Malta International Airport and introduced its new concept of *SWIFT-Easy Shopping!* in Malta. MIA also finalised plans for a re-designed retail area enhancing the passenger experience at the ariport.

This success is partially the result of effective promotional campaigns undertaken during the year by the Airport Value Market Association.



> With the valuable support of MIA, the arts in Malta have travelled also beyond our shores thus obtaining further recognition while contributing to the cultural identity of our Island.

Luciano Micallef
Artist

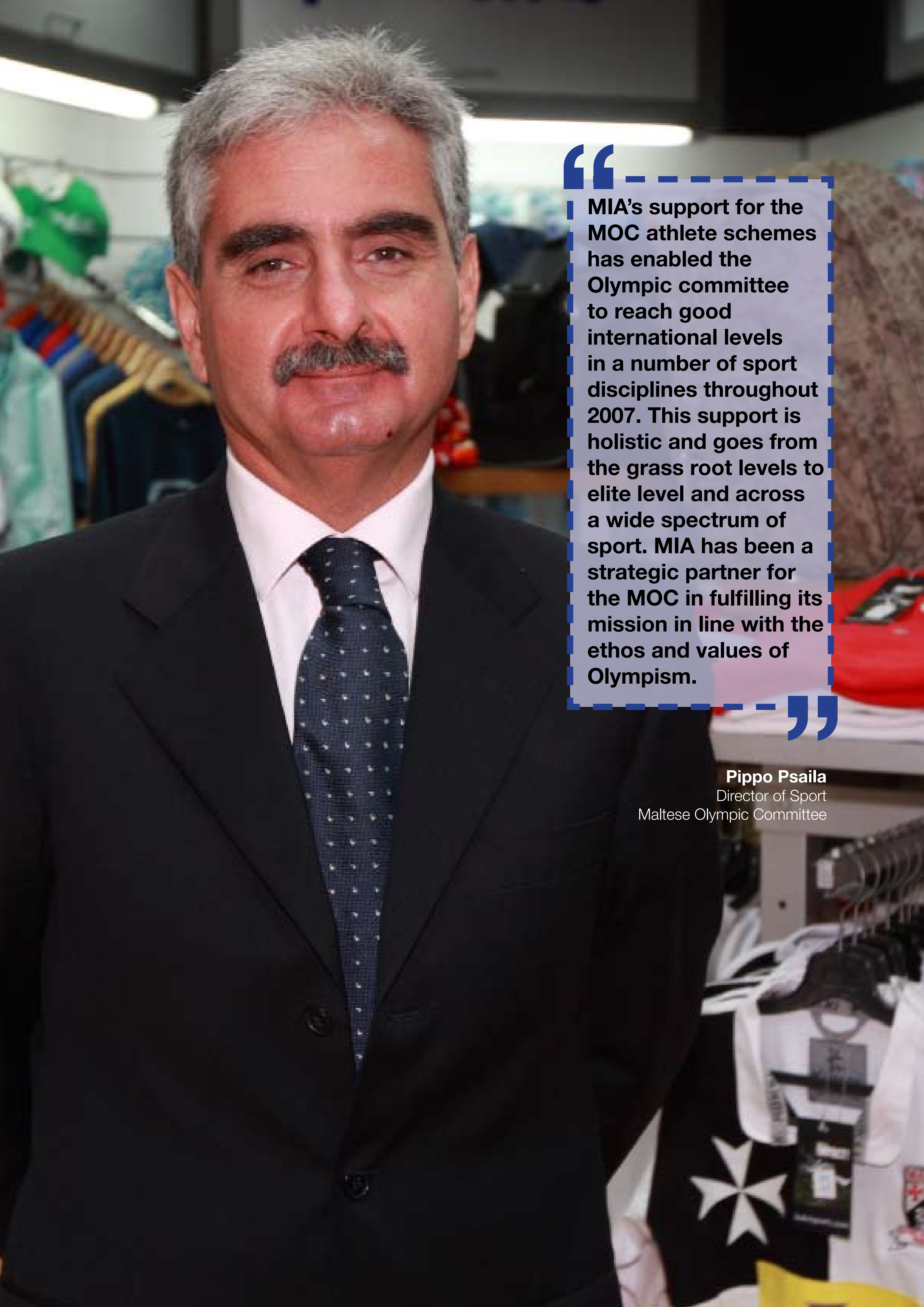
Highlights 2007

Passenger Movements
(Scheduled & Non-Scheduled)

2007	2.97 million
2006	2.69 million
2005	2.75 million
2004	2.75 million
2003	2.58 million

Lufthansa Technik is expanding its operation at Malta International Airport to become the leading aircraft maintenance hub in the Mediterranean.

DHL centralised its operations in Malta transfering its base to their new premises at the MIA Cargo Village.



> MIA's support for the MOC athlete schemes has enabled the Olympic committee to reach good international levels in a number of sport disciplines throughout 2007. This support is holistic and goes from the grass root levels to elite level and across a wide spectrum of sport. MIA has been a strategic partner for the MOC in fulfilling its mission in line with the ethos and values of Olympism.

Pippo Psaila
Director of Sport
Maltese Olympic Committee

Traffic Highlights 2007

Malta International Airport handled 2.97 million passengers travelling on scheduled and non-scheduled flights in 2007, an increase of 10.4% when compared to 2006. Aircraft movements also increased by 10.7%.

Top Airlines

Air Malta	55.0%
Ryanair	7.5%
British Airways	5.8%
Alitalia	5.1%
British Jet	4.3%
Lufthansa	4.0%
Emirates	2.3%

Business Mix

Legacy Airlines	78.0%
Charter Operators	12.5%
Low Cost Carriers	9.5%

> Our confidence in Malta International Airport as employees, makes us proud to work with such a sound organisation and the opportunity given to us to invest our savings in MIA instils in us a greater sense of belonging and further motivates us to give our utmost in the quality of service we provide

Maria Farrugia and James Theuma
MIA Employees and Shareholders

Traffic Highlights 2007

Passenger throughput increased by 10.4% when compared to 2006. The main markets, Germany, Italy and the UK increased by 17%, 16.5% and 10% respectively.

Top Destinations
(Countries)

UK	1,117,985
Italy	466,974
Germany	424,719
France	137,210
Belgium	78,226

Top Destinations
(Airports)

London Gatwick	304,460
Manchester	237,124
Frankfurt	189,862
London Heathrow	175,881
Rome Fiumicino	162,949

> In these days of corporate social responsibility and integrating companies into the community, MIA have fulfilled their obligations admirably, and we are proud to be working with them on the important monument of the Bir Miftuh Chapel which forms part of Malta's long and varied history.

Martin Galea
Chairman
Din l-Art Helwa

Traffic Highlights 2007

Passenger Movements
(Low Cost Carriers)

Ryanair	222,825
German Wings	32,936
Clickair	10,412
Air Berlin	6,352
Others	11,452

Combined efforts between MIA, Government and the major stakeholders, secured the operation of new airlines to Malta as well as additional routes. Ryanair was the main contributor to this significant growth.

This development is being consolidated further in 2008 as shown by the advent of Vueling from Madrid, Volareweb from Milan, Norwegian Air Shuttle from Oslo and EasyJet from London Gatwick.

> MIA's support for the Malta Journalism Awards, particularly the Sport Photography award, has been instrumental in achieving recognition of sport photography as an intrinsic part of journalism in Malta, and elevating it to a profession in its own right. It has also given added impetus to efforts to improve the quality of sport photography.

Darrin Zammit Lupi
& Matthew Mirabelli
Photographers – The Times

Key Data

	Financial Year 2007 (ended 31 December 2007)	Change in %	Financial Year 2006 (9 months) (ended 31 December 2006)	Change in %	Fincial Year 05/06 (ended 31 March 2006)
Financial Indicators (in Lm million)					
Total turnover	19.04	35.5	14.05	(15.8)	16.69
Thereof Aviation	13.33	30.5	10.22	(14.7)	11.98
Thereof Non-Aviation	5.71	48.9	3.84	(18.5)	4.71
EBIT	6.80	26.9	5.36	(6.6)	5.73
EBIT margin in %	35.7	(6.3)	38.1	10.9	34.37
EBITDA	8.72	30.0	6.71	(8.4)	7.33
EBITDA margin in %	45.8	(4.0)	47.7	8.7	43.91
ROCE in %	10.54	28.2	8.22	(9.5)	9.08
Net Profit	3.83	22.9	3.12	1.4	3.08
Cash flow from operating activities	7.36	148.5	2.96	(53.8)	6.41
Equity	22.20	3.1	21.54	(0.2)	21.59
Balance sheet total	51.71	4.5	49.48	(1.1)	50.04
Capital Expenditure	2.37	50.2	1.58	(26.1)	2.13
Taxes on income	2.22	23.9	1.79	(1.5)	1.82
Employees	362	(4.5)	379	(2.1)	387
Industry Indicators					
MTOW in million tonnes	2.17	21.4	1.79	(9.8)	1.98
Passengers in million	2.97	29.7	2.29	(16.9)	2.76
Thereof transfer passengers in thousand	174.7	40.4	124.5	(18.3)	152.3
Flight movements	27,356	11.4	24,565	(15.1)	28,945
Cargo in tonnes	12,799	(3.7)	13,287	(19.1)	16,427
Seat occupancy in %	69.9	6.2	65.8	(1.7)	67.0
Stock Market Indicators					
Shares outstanding in million	67.65	0.0	67.65	0.0	67.65
P/E ratio	24.38	18.0	29.72	(13.3)	34.29
Earnings per share in Lm	0.0566	22.8	0.0461	1.3	0.0455
Net Dividend per share in Lm	0.0499	6.2	0.047	0.0	0.047
Net Dividend yield in %	3.616	5.4	3.431	13.9	3.013
Pay-out ratio as a % of net profit	88.12	(13.6)	101.97	(1.3)	103.35
Market capitalisation in Lm million	93.36	0.7	92.68	(12.2)	105.53
Stock price: high in Lm	1.41	(9.6)	1.56	(3.7)	1.62
Stock price: low in Lm	1.32	(0.4)	1.32	20.0	1.10
Stock price in Lm	1.38	0.7	1.37	(12.2)	1.56
Market weighting in %	3.80	(28.3)	5.30	0.0	5.30

N.B.
The previous 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 current financial year.

Financial Statements

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General Information

Directors as at 31.12.07	Karin Zipperer	(*Chairman*)
	Winston J. Zahra	(*Deputy Chairman*)
	Peter Bolech	(*Chief Executive Officer*)
	Austin Calleja	(*Chief Financial Officer*)
	Julian Jaeger	(*Chief Commercial Officer*)
	Louis-M. St-Maurice	
	Markus Klaushofer	
	Michael Bianchi	
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
Year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

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 period ended 31 December 2006 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 comparative figures 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 number of passengers making use of the airport facilities increased from 2.69 million for the full year 2006 to 2.97 million for 2007, an increase of 10.4%. There was also a 10.7% increase in aircraft movements compared to 2006 but a slight decrease in cargo handling of 4.3%. The increase in passenger traffic is in line with the increase in tourist arrivals to Malta registered by the Malta Tourism Authority (MTA).

The efforts made in the past few years by the Company together with the MTA and other local associations to encourage airlines to fly to Malta has paid dividends. Three new airlines, Ryanair, Clickair and German Wings started operation to Malta in 2007 and have contributed significantly to the increase in traffic. Home carrier, Air Malta marginally increased the number of passengers flown to and from Malta, and now have a 55% share of the total number of passengers. New routes have been introduced such as Gerona, Bremen, Stockholm, Valencia, Treviso, Cologne and Stuttgart and more routes are expected to be added in 2008. The marketing team of the Company will continue to explore new opportunities in this area and apart from commitments made by new carriers, Easyjet, Vueling, Norwegian Air Shuttle, and Volare Web for summer 2008, the company will continue to make efforts to entice more carriers to put Malta on their schedule.

The results of the Company for the year ended 31 December 2007 show a profit on ordinary activities before taxation of Lm 6,051,760 (for the nine-month period ended 31st December 2006 – Lm4,910,618).

The revenue of the Company increased from Lm14,053,331 to Lm19,042,398. Most of this increase relates to additional regulated fees received as a result of the increase in passenger traffic. However, there was a significant increase in commercial revenue due to the improved performance of the retail outlets within the Air Terminal as well as due to the larger number of passengers that used the facilities throughout the year.

Operating costs were Lm12,243,408 (31 Dec 2006 – Lm 8,695,869) which are slightly higher than the equivalent previous 12 month period.

Directors' report
Year ended 31 December 2007

Performance review (continued)

The passenger throughput for 2008 is expected to increase further and to improve the air terminal facilities to accommodate this increase, major works valued at Lm1.9 million are currently taking place to improve the security function as well as increase the retail floor space in the departure area. Other restructuring of the terminal is planned for the second quarter of 2008 to improve the facilities at the arrivals area. Phase one of this project is expected to be open for use by passengers and the public by the beginning of the third quarter of 2008. The second phase of the project will make available additional retail floor area and a new business lounge for a total of approximately 1,200 sq metres and will be finished by the end of 2008. The third and final phase will take place in the first and second quarter of 2009 and will involve the renovation of the remaining retail floor area of the departure lounge.

Share capital

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

Result and dividends

The financial result of the company for year ended 31 December 2007 is shown in the income statement on page 28. The profit for the year after taxation amounted to Lm3,830,871 compared to Lm3,118,225 in the prior financial period.

Further to the net 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 Lm0.0249 per share (gross Lm0.038308) on all shares settled as at close of business on Monday, 5 May 2008 which dividend shall be paid not later than the 26 May 2008.

Important events after balance sheet date

In March 2008, the Company successfully negotiated the termination of the car park concession from the existing operator. The Company set up a 100% subsidiary, Sky Parks Ltd, to take over the running of the car park business with effect from 1 March 2008.

Directors

The directors who served during the period were:

Karin Zipperer	Chairman	
Winston J. Zahra	Deputy Chairman	
Peter Bolech	Chief Executive Officer	(resigned on 31 December 2007)
Austin Calleja	Chief Financial Officer	
Louis-M. St-Maurice		
Julian Jaeger		(appointed on 12 April 2007)
Markus Klaushofer		(appointed on 12 April 2007)
Michael Bianchi		(appointed on 12 April 2007)
Michael Hoeferer		(resigned on 12 April 2007)
John Ellul Vincenti		(resigned on 12 April 2007)

Directors' report

Year ended 31 December 2007

Mr Julian Jaeger was appointed Chief Executive Officer of the Company with effect from the 1 January 2008.

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 year 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 year.

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 6 March 2008 by:

Karin Zipperer
Chairman

Julian Jaeger
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 year and of the profit or loss of the company for the year 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 8.37 of the Listing Rules issued by the Malta Financial Services 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 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 for 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 availability 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 an expedient and efficient a manner by having the Board determine executive pay where Executive Directors do not participate in discussions

Corporate Governance – Statement of Compliance
(continued)

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 *Lm132,715*.

The Company's current organisational structure already contemplates the role of a Chief Executive Officer, a position which is currently occupied by Mr Julian Jaeger 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 five.

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 eight weeks. During the financial period under review the Board retained its policy 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 Julian Jaeger 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 six 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. Winston Zahra as Chairman, Mr Louis-M. St-Maurice and Mr. Markus Klaushofer.

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

Corporate Governance – Statement of Compliance
(continued)

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.

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.

Corporate Governance – Statement of Compliance
(continued)

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.

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

Pursuant to Listing Rule 8.37 and 8.38 issued by 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 8.39, 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 included in the annual report.

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 32 to 36 has been properly prepared in accordance with the requirements of Listing Rule 8.37 and 8.38.

Paul Mercieca
DELOITTE & TOUCHE
Certified Public Accountants

6 March 2008

Income statement
Year ended 31 December 2007

	Notes	**31.12.2007 (12 months) Lm**	31.12.2006 (9 months) Lm
Revenue	5	**19,042,398**	14,053,331
Staff costs	10	**(3,434,398)**	(2,589,248)
Other operating expenses		**(6,884,450)**	(4,754,780)
Depreciation		**(1,924,561)**	(1,351,840)
Investment income	6	**103,244**	108,720
Finance costs	7	**(974,193)**	(648,355)
Release of deferred income arising on the sale of terminal buildings and fixtures	21	**123,720**	92,790
Profit before tax	8	**6,051,760**	4,910,618
Income tax expense	11	**(2,220,889)**	(1,792,393)
Profit for the year/period		**3,830,871**	3,118,225
Earnings per share	28	**5.66 c**	4.61 c

Balance sheet
31 December 2007

	Notes	31.12.2007 Lm	31.12.2006 Lm
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**41,654,819**	41,212,948
Financial assets	14	**379,800**	379,800
Deferred tax assets	15	**2,121,785**	1,765,295
		44,156,404	43,358,043
Current assets			
Inventories	16	**404,832**	456,340
Trade and other receivables	17	**3,041,293**	3,364,329
Cash and cash equivalents	27	**4,108,827**	2,301,975
		7,554,952	6,122,644
Total assets		**51,711,356**	49,480,687
Current liabilities			
Trade and other payables	18	**2,377,452**	1,956,200
Other financial liabilities	20	**180,721**	33,477
Bank loan	19	**518,168**	500,000
Current tax liabilities		**2,303,554**	1,050,878
		5,379,895	3,540,555
Non-current liabilities			
Bank loan	19	**19,342,192**	19,500,000
Deferred income	21	**3,334,789**	3,458,509
Provision for retirement benefit fund	22	**1,451,569**	1,441,276
		24,128,550	24,399,785
Total liabilities		**29,508,445**	27,940,340
Net assets		**22,202,911**	21,540,347
EQUITY			
Share capital	23	**13,530,000**	13,530,000
Revaluation reserve	25	**715,172**	736,057
Retained earnings		**7,957,739**	7,274,290
Total equity		**22,202,911**	21,540,347

These financial statements were approved by the board of directors, authorised for issue on 6 March 2008 and signed on its behalf by:

Karin Zipperer	**Julian Jaeger**	**Austin Calleja**
Chairman	Chief Executive Officer	Chief Financial Officer

Statement of changes in equity
Year ended 31 December 2007

	Share capital Lm	Revaluation reserve Lm	Retained earnings Lm	Total Lm
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**
Balance at 1 January 2007	13,530,000	736,057	7,274,290	21,540,347
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(32,128)	32,128	-
Deferred tax liability on revaluation	-	11,243	-	11,243
Net income recognised directly in equity	-	(20,885)	32,128	11,243
Profit for the year	-	-	3,830,871	3,830,871
Total recognised income and expense for the year	-	(20,885)	3,862,999	3,842,114
Dividends (note 12)	-	-	(3,179,550)	(3,179,550)
Balance at 31 December 2007	**13,530,000**	**715,172**	**7,957,739**	**22,202,911**

Cash flow statement
Year ended 31 December 2007

	Notes	**31.12.2007 (12 months) Lm**	31.12.2006 (9 months) Lm
Net cash flows from operating activities	26	**7,357,486**	2,960,473
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,369,045)**	(1,575,790)
Grants in respect of capital expenditure		-	202,788
Purchase of financial assets		-	(6,500)
Proceeds from sale of property, plant and equipment		**34,357**	4,000
Interest received		**103,244**	108,720
Net cash flows from investing activities		**(2,231,444)**	(1,266,782)
Cash flows from financing activities			
Movement in bank loan		**(139,640)**	-
Dividends paid		**(3,179,550)**	(3,179,550)
Net cash flows from financing activities		**(3,319,190)**	(3,179,550)
Net movement in cash and cash equivalents		**1,806,852**	(1,485,859)
Cash and cash equivalents at the beginning of the year/period		**2,301,975**	3,787,834
Cash and cash equivalents at the end of the year/period	27	**4,108,827**	2,301,975

Notes to the financial statements
31 December 2007

1. Corporate information

The financial statements of Malta International Airport p.l.c. ('the Company') for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 6th March 2008. Malta International Airport p.l.c. ('the Company') is a public company incorporated and domiciled in Malta whose shares are publicly traded.

The principal activities of the Company are the development, operation and management of Malta's airport.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis and in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap. 386 of the Laws of Malta. The significant accounting policies adopted are set out below. The financial statements are presented in Maltese Lira (Lm).

2.2 Comparative information

The Company changed the financial year end from 31 March to 31 December during the period ended 31 December 2006. This was considered more appropriate in order to align the company's financial results with those of its operations statistics. Accordingly, the comparative figures cover a period of nine months while the financial statements for the year ended 31 December 2007 cover a twelve month period. Therefore, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not comparable.

2.3 International Financial Reporting Standards adopted during the year

The Company has adopted the following new and/or amended IFRS during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures:

This standard is applicable for annual periods beginning on or after 1 January 2007. It requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

Amendment to IAS 1 Presentation of Financial Statements (Capital disclosures):

This amendment requires the Company to make new disclosures regarding its objectives, policies and processes for managing capital. This amendment is applicable for annual periods beginning on or after 1 January 2007. These new disclosures are shown in Note 36.

2.4 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

Notes to the financial statements
31 December 2007

2.4 Significant accounting policies (continued)

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. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised.

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.

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.

Notes to the financial statements

31 December 2007

2.4 Significant accounting policies (continued)

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 and other 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.

Other borrowings are measured at amortised costs using the effective interest method, unless the effect of discounting is immaterial.

(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.

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.

Notes to the financial statements

31 December 2007

2.4 Significant accounting policies (continued)

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 year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the 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 year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Interest income

Interest income is recognised on an accruals basis.

Notes to the financial statements

31 December 2007

2.4 Significant accounting policies (continued)

(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 installments 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 year 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.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The substance is determined on whether the fulfillment of the arrangement either is dependent on the use of a specific asset/assets; or if it conveys a right to use the asset.

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 and deferred tax is also dealt with in equity.

The charge for current tax is based on the taxable result for the year. The taxable result for the year differs from the result as reported in profit or loss because it excludes items which are non 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 carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the year 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.

Notes to the financial statements

31 December 2007

2.4 Significant accounting policies (continued)

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.

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 year 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 year 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 year 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 notes 15 and 22.

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

The directors anticipate that the adoption of International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations 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 year of initial application.

Notes to the financial statements
31 December 2007

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

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

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
By activity:		
Regulated fees	**13,332,313**	10,200,886
Commercial fees	**3,770,069**	2,717,148
Recharges and other income	**1,940,016**	1,135,297
	19,042,398	14,053,331

6. Investment income

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Bank interest receivable	**103,244**	108,720

7. Finance costs

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Interest on bank loans	**974,193**	648,355

8. Profit before tax

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
This is stated after charging/(crediting):		
Audit fee	**7,500**	7,500
Depreciation of property, plant and equipment	**1,924,561**	1,351,840
Net exchange differences	**1,826**	3,010
Operating lease payments	**47,086**	37,435
Movements in provision for bad debts	**100,546**	(3,300)
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.

Notes to the financial statements

31 December 2007

9. Key management personnel compensation

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Directors' compensation:		
Short-term benefits:		
Fees	**28,987**	18,658
Management remuneration	**103,728**	63,041
Social security costs	**1,911**	1,044
	134,626	82,743

In addition during the year under review the company granted other benefits to its directors. The aggregate amount of allowances, which include monetary and non monetary benefits, amounted to Lm115,669 (31.12.2006 – Lm56,400). These amounts are included with other operating expenses.

Also during the year under review, the company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to Lm8,250 (31.12.2006 – Lm7,867). These amounts are included with other operating expenses.

10. Staff costs and employee information

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Staff costs:		
Wages and salaries	**3,192,397**	2,277,433
Social security costs	**231,708**	169,999
Retirement benefit costs	**10,293**	141,816
	3,434,398	2,589,248

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

	31.12.2007 Number	31.12.2006 Number
Business Development, Operations and Marketing	**110**	104
Finance, IT and Information Management	**22**	23
Firemen	**43**	45
Meteorological Office	**15**	16
Safety, Security and Administration	**78**	90
Technical and Engineering	**94**	101
	362	379

Notes to the financial statements
31 December 2007

11. Income tax expense

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Current tax expense	**2,566,136**	1,727,966
Deferred tax (credit)/expense (note 15)	**(345,247)**	64,427
	2,220,889	1,792,393

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

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Profit before tax	**6,051,760**	4,910,618
Tax at the applicable rate of 35%	**2,118,116**	1,718,716
Tax effect of:		
Depreciation charges not deductible by way of capital allowances in determining taxable income	**113,037**	95,343
Disallowed expenses in determining taxable income	**8,651**	5,569
Investment income subject to lower tax rates	**(18,915)**	(27,235)
Income tax expense for the year/period	**2,220,889**	1,792,393

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 12 April 2007 and was paid on 15 May 2007.(The net dividend of *Lm1,488,300* (2.2 cents per ordinary share) proposed by the directors during 2006 was paid on 31 August 2006.)

In respect of the current year, on 15 September 2007 a net dividend of *Lm1,691,250* (2.5 cents per share) (2006 – *Lm1,691,250* (2.5 cents per share)) was paid to ordinary shareholders.

The directors propose that a net dividend of Lm0.0249 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 *Lm1,684,485*.

Notes to the financial statements
31 December 2007

13. Property, plant and equipment

	Land held on temporary emphyteusis Lm	Buildings Lm	Furniture fixtures, plant and equipment Lm	Total Lm
Cost				
At 01.04.2006	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 01.01.2007	18,044,970	24,421,872	22,642,691	65,109,533
Additions	-	666,397	1,702,648	2,369,045
Disposals	-	-	(129,258)	(129,258)
At 31.12.2007	18,044,970	25,088,269	24,216,081	67,349,320
Accumulated depreciation				
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 disposals	-	-	(6,000)	(6,000)
At 01.01.07	1,226,133	5,771,276	16,899,176	23,896,585
Provision for the year	277,615	478,053	1,168,893	1,924,561
Eliminated on disposal	-	-	(126,645)	(126,645)
At 31.12.2007	1,503,748	6,249,329	17,941,424	25,694,501
Carrying amount				
At 31.12.2006	16,818,837	18,650,596	5,743,515	41,212,948
At 31.12.2007	**16,541,222**	**18,838,940**	**6,274,657**	**41,654,819**

No depreciation is being charged on assets not yet put into use amounting to *Lm1,213,693* (31.12.2006 – *Lm628,299*).

14. Financial assets

Available-for-sale investment

	Local unlisted Lm
Cost	
At 01.04.2006	373,300
Additions	6,500
At 01.01.2007/ **31.12.2007**	**379,800**

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

Notes to the financial statements
31 December 2007

15. Deferred taxation

	31.12.2006 Lm	Movement for the year Lm	**31.12.2007 Lm**
Arising on:			
Accelerated tax depreciation	474,109	348,127	**822,236**
Provision for pension costs	504,447	3,602	**508,049**
Deferred income	1,182,804	(43,302)	**1,139,502**
Other temporary differences	268	36,820	**37,088**
	2,161,628	345,247	**2,506,875**
Revaluation of properties prior to change in title of the underlying land	(396,333)	11,243	**(385,090)**
	1,765,295	356,490	**2,121,785**

Deferred tax assets, including that for the carry forward of any 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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

16. Inventories

	31.12.2007 Lm	31.12.2006 Lm
Consumables	**404,832**	456,340

17. Trade and other receivables

	31.12.2007 Lm	31.12.2006 Lm
Trade receivables	**2,192,292**	2,563,582
Other receivables	**101,850**	163,724
Receivables from other related parties	**61,311**	110,922
Prepayments and accrued income	**685,840**	526,101
	3,041,293	3,364,329

The terms and conditions of the receivables from other related parties are disclosed in note 31. Trade receivables are non-interest bearing and are generally on 30 days' terms.

Notes to the financial statements
31 December 2007

17. Trade and other receivables (continued)

As at 31 December 2007, trade receivables at nominal value of Lm120,127 (2006: Lm19,580) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired Lm
At 1 April 2006	22,881
Charge for the year	1,410
Unutilised amounts reversed	(3,000)
Utilised	(1,711)
At 31 December 2006	19,580
Charge for the year	118,813
Utilised	(18,266)
At 31 December 2007	**120,127**

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

			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60 days	90 days	>120 days
	Lm	Lm	Lm	Lm	Lm	Lm
2007	2,192,292	1,214,951	419,782	275,869	173,115	108,575
2006	2,563,582	1,101,848	807,774	302,773	232,723	118,464

18. Trade and other payables

	31.12.2007 Lm	31.12.2006 Lm
Trade payables	**674,562**	657,576
Other payables	**17,247**	846
Accruals and deferred income	**1,685,643**	1,297,778
	2,377,452	1,956,200

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30 days' terms.
- Other payables are non-interest bearing and have an average term of three months.

19. Bank loan

	31.12.2007 Lm	31.12.2006 Lm
Current bank loan	**518,168**	500,000
Non-current bank loan	**19,342,192**	19,500,000

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 4.8% (period ended 31.12.2006 – 4.55%) per annum. The bank loan is repayable as disclosed in note 36.

Notes to the financial statements

31 December 2007

20. Other financial liabilities

	31.12.2007 Lm	31.12.2006 Lm
Amounts owed to related parties	**180,721**	33,477

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.

21. Deferred income

	31.12.2007 Lm	31.12.2006 Lm
Deferred income	**3,255,721**	3,348,509
Add: overprovision in prior year	-	30,932
Less: amounts included in current liabilities	**(123,720)**	(123,720)
European Commission grant	**202,788**	202,788
Amounts included in non-current liabilities	**3,334,789**	3,458,509

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

	31.12.2007 Lm	31.12.2006 Lm
Provision for retirement benefit fund	**1,451,569**	1,441,276

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 where applicable, expected rates of salary increases based on the inflation and previous increases given to employees. The movement in the provision for retirement benefits may be analysed as follows:

Amounts for the current and previous four periods are as follows:

Year ended	31.12.07 12 months Lm	31.12.06 9 months Lm	31.03.06 12 months Lm	31.03.05 12 months Lm	31.03.04 12 months Lm
Present value of the provision for retirement benefits at 1 January / 1 April	**1,441,276**	1,434,038	1,360,983	1,503,222	1,357,390
Payments effected	-	(134,578)	-	(203,440)	-
Charge for the year/period	**10,293**	141,816	73,055	61,201	145, 832
Present value of the provision for retirement benefits at 31 December / 31 March	**1,451,569**	1,441,276	1,434,038	1,360,983	1,503,222

Notes to the financial statements
31 December 2007

23. Share capital

	31.12.2007 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-transferable for a period of 15 years from 26 July 2002. Ordinary 'C' shares carry no voting rights and do not receive dividends.

Shareholders
The shareholders owning 5% or more of the company's equity share capital at 31 December 2007 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 2007 was as follows:

Number of ordinary shares held	Number of accounts	Number of shares	% of shares
Ordinary 'A' shares			
1 - 1,000	**2,800**	**2,043,161**	**3.02**
1,001 - 5,000	**3,274**	**7,748,902**	**11.45**
> 5,001	**683**	**30,797,932**	**45.53**
	6,757	**40,589,995**	**60.00**
Ordinary 'B' shares	**1**	**27,060,000**	**40.00**
Ordinary 'C' shares	**1**	**5**	**0.00**
	6,759	**67,650,000**	**100.00**

The above number of holders did not differ significantly from 31 December 2007 to 6 March 2008.

Notes to the financial statements

31 December 2007

24. Directors' interests

The directors Austin Calleja and Michael Bianchi have registered their interest in the share capital of the company as at 31st December 2007.

Austin Calleja has 6,000 shares in Malta International Airport plc whilst Michael Bianchi has 66.6% of the share capital of Airport Investments Ltd which in turn holds 4.15% of Malta Mediterranean Link Consortium Ltd, a company that holds 40% of the share capital of Malta International Airport plc.

No other director has a beneficial or non-beneficial interest in the company's share capital. The above holdings have not changed from 31 December 2007 to 6 March 2008.

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

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Profit before tax	**6,051,760**	4,910,618
Adjustments for:		
Depreciation	**1,924,561**	1,351,840
Interest expense	**974,193**	648,355
Release of deferred income arising on the sale of the terminal building and fixtures	**(123,720)**	(92,790)
Gain on sale of property, plants and equipment	**(31,745)**	-
Interest income	**(103,244)**	(108,720)
Provision for retirement benefits	**10,293**	141,816
Provision for bad debts	**100,546**	(3,300)
Operating profit before working capital movement	**8,802,644**	6,847,819
Movement in inventories	**51,508**	(17,837)
Movement in trade and other receivables	**222,490**	(735,884)
Movement in trade and other payables and other financial liabilities	**568,496**	(692,080)
Cash flows from operations	**9,645,138**	5,402,018
Interest paid	**(974,193)**	(648,355)
Income taxes paid	**(1,313,459)**	(1,793,190)
Net cash flows from operating activities	**7,357,486**	2,960,473

Notes to the financial statements
31 December 2007

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

	31.12.2007	31.12.2006
	Lm	Lm
Cash at banks and on hand	**3,902,757**	1,651,975
Short-term deposits	**206,070**	650,000
	4,108,827	2,301,975

Cash at bank earns interest based on daily bank deposit rates. Short-term deposits are held as a requirement from third parties as a guarantee for grants received as disclosed in Note 21.

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

	2007	2006
Weighted average number of shares in issue	**67,650,000**	67,650,000
Earnings per share (cents)	**5.66**	4.61

29. Capital commitments
Property, plant and equipment

	31.12.2007	31.12.2006
	Lm	Lm
Contracted but not provided for	**2,234,700**	394,217
Authorised but not contracted for	**2,427,943**	962,220

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 Lm35,000 (2006: Lm35,000);

(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) a claim by an airline for a total amount of Lm107,551 which claim is subject to full reimbursement by the company's insurers should it materialise.

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

Notes to the financial statements

31 December 2007

31. Related party disclosures

During the course of the year, 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:

	31.12.2007 (12 months)			31.12.2006 (9 months)		
	Related party activity Lm	**Total activity Lm**	**%**	Related party activity Lm	Total activity Lm	%
Revenue:						
Related party transactions with:						
Companies which are significantly influenced by members of key management personnel of the company	**1,113,243**	**19,042,398**	**6**	765,030	14,053,331	5
Staff and other operating costs:						
Related party transactions with:						
Key management personnel of the company (note 9)	**258,545**			147,009		
Related parties other than the parent and key management personnel of the company	**482,701**			211,768		
	741,246	**10,318,848**	**7**	358,777	7,344,028	5

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

	31.12.2007 (12 months) Lm	31.12.2006 (9 months) Lm
Minimum lease payments under operating lease recognised as an expense for the year	**322,500**	225,000

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

	31.12.2007 Lm	31.12.2006 Lm
Within one year	**345,000**	345,000
In the second to fifth years inclusive	**1,431,750**	1,380,000
After five years	**48,441,150**	48,837,900
	50,217,900	50,562,900

Operating lease payments represent ground rent payable by the company on the temporary emphyteusis, with no renewal option included in the contract. Leases are determined up to the term of the lease, being 65 years.

Notes to the financial statements

31 December 2007

33. Contracts of significance

Pursuant to Listing Rules 9.40.15 and 9.40.16 issued by the Listing Authority of the Malta Financial Services Authority, the contracts of significance entered into by the company in the year ended 31 December 2007 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., gives rise to an expense of *Lm482,701* (31.12.2006 – *Lm287,276*).

The Government of Malta

(i) The terminal land lease agreement with the Lands Department for *Lm322,500* (31.12.2006 – *Lm225,000*);

(ii) The contract for contribution to the Malta Tourism Authority for *Lm100,000* (31.12.2006 – *Lm75,000*);

(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of *Lm1,261,985* (31.12.2006 – *Lm927,225*);

(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of *Lm549,612* (31.12.2006 – *Lm475,611*);

(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of *Lm394,622* (31.12.2006 – *Lm341,487*);

(vi) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of *Lm1,112,740* (31.12.2006 – *Lm573,566*); and

(vii) The contract with Enemalta Corporation for fuel throughput charges generated the amount of *Lm640,703* (31.12.2006 – *Lm483,636*) 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 2007 and 31 December 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. The company does not intend to dispose of these investments within twelve months of the balance sheet date.

Notes to the financial statements

31 December 2007

36. Financial risk management

The Company's principal financial liabilities comprise bank loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, investments and cash and short-term deposits, which arise mainly from its operations.

These financial instruments are classified into the following categories:

	31.12.2007	31.12.2006
	Lm	Lm
Available for sale investments	**379,800**	379,800
Loans and receivables	**6,658,172**	5,039,623
Financial liabilities at amortised costs	**21,748,074**	21,504,262

Net gain / losses arising from these financial instruments are classified as follows:

Loans and receivables	**222,579**	107,131
Financial liabilities at amortised costs	**974,193**	648,355

The main risks arising from the Company's financial instruments are an increase in interest rate and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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 bank balances and borrowings carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

	Increase/ decrease in basis points	Effect on profit before tax Lm ('000)
2007		
Lm	+25	(40)
Lm	-25	40
2006		
Lm	+25	(44)
Lm	-25	44

The effect on profit takes into consideration both interest payable and interest receivable based on the loan and cash balances as disclosed in notes 19 and 27 respectively.

Notes to the financial statements

31 December 2007

36. Financial risk management (continued)

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. The maximum exposure is the carrying amounts of each class of asset as disclosed in notes 17, 14 and 27 respectively.

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.

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007

	Total Lm	Current Lm	< 3 months Lm	3 – 12 months Lm	1 – 5 years Lm	>5 years Lm
Interest bearing loans and borrowings	28,202,795	-	756,638	699,470	5,567,217	21,179,470
Other liabilities	17,247	-	1,514	15,733	-	-
Accruals	1,398,493	-	1,398,493	-	-	-
Trade and other payables	674,562	376,280	141,810	156,472	-	-
Other financial liabilities	180,721	-	180,721	-	-	-
	30,473,818	376,280	2,479,176	871,675	5,567,217	21,179,470

Period ended 31 December 2006

	Total Lm	Current Lm	< 3 months Lm	3 – 12 months Lm	1 – 5 years Lm	>5 years Lm
Interest bearing loans and borrowings	28,649,051	-	724,384	668,476	5,346,369	21,909,823
Other liabilities	846	-	846	-	-	-
Accruals	1,000,159	-	1,000,159	-	-	-
Trade and other payables	657,576	439,862	73,662	131,352	12,700	-
Other financial liabilities	33,477	-	33,477	-	-	-
	30,341,110	439,862	1,832,528	799,828	5,359,069	21,909,823

The Company monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has additional undrawn bank facilities of Lm6.14 million earmarked for CAPEX projects and Lm2 million overdraft facility.

Capital management

One of the objectives of the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company adjusts the dividend payment to shareholders. No changes were made in the objectives and processes during the years end 31 December 2007 and 31 December 2006.

Notes to the financial statements

31 December 2007

36. Financial risk management (continued)

The Company monitors capital using a gearing ratio, which is net of debt by total capital plus net debt. The Company's policy is to keep the gearing ratio between 40% and 50%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders and other reserves.

37. Events after the balance sheet date

(i) *Compensation for termination of concession*

The Company has negotiated a termination agreement with the company that runs the airport car park. The Company has set up a subsidiary to take up the operations of the car park in the first quarter of 2008.

(ii) *Introduction of the Euro*

With the introduction of the Euro as the official currency of the Republic of Malta as from 1 January 2008, the functional currency of the Company has changed from Maltese Lira to Euro. As a result, the financial position of the Company at 1 January 2008 was converted into Euro based on the fixed conversion rate €1 = Lm0.4293.

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 eleven to thirty-eight, which comprise the balance sheet of the company as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement of the company for the year 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 five, 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 2007 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

6 March 2008

PHOTOGRAPHY
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