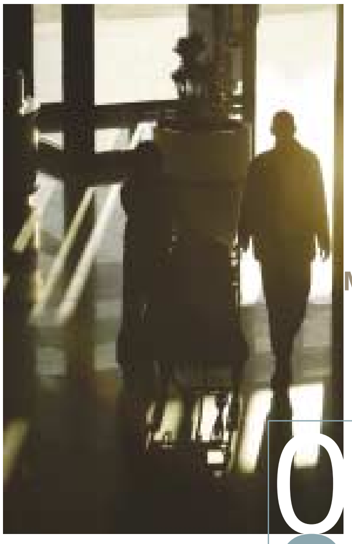
maltainternationalairportplc



MAKING IT HAPPEN

2003
2004

businessreport&financialstatements

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DIRECTORS, OFFICERS AND OTHER INFORMATION

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Directors:	Michael Hoeferer (Chairman) Jean Depasquale (Deputy Chairman) Peter R. Bolech (Chief Executive Officer) Austin Calleja (Chief Financial Officer) Ivan Falzon Louis-M. St-Maurice Winston J. Zahra
Secretary:	Dr. Louis Degabriele
Registered office:	Malta International Airport, Luqa, Malta. Tel. (+356) 21 249 600
Company registration number:	C 12663
Auditors:	Deloitte & Touche 1, Col. Savona Street, Sliema, Malta.
Principal bankers:	Bank of Valletta p.l.c. Corporate Centre, High Street, Sliema, Malta.
Legal advisers:	Camilleri Preziosi Advocates Level 2 - Valletta Buildings South Street, Valletta, Malta.

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2004.

Principal activities

The company's principal activities are the development, operation and management of Malta International Airport. The Company is also involved through a 10.9% shareholding interest in VISET Malta p.l.c., a company set up to develop an area known as Valletta Waterfront and operate a cruise liner terminal in Grand Harbour.

Performance review

Considering the instability in the travel and tourism industry in the last two years, the results of the company for the financial year ended 31st March, 2004 are satisfactory.

The results of the company for the financial year show a profit on ordinary activities before exceptional items and taxation of *Lm2,650,593* (2003 – *Lm2,168,213*). The operating income of the company increased to *Lm14,302,327* from *Lm13,331,132,* primarily as a result of the introduction of a Lm0.55c security fee levied on each departing passenger. Operating costs increased by *Lm309,994* mainly due to increases in marketing, technical service agreements and rents payable; the last two items incurred a full year's charge compared to only eight months in the previous financial year (post-privatisation).

In the first six months of the year, passenger traffic showed a slight increase when compared to the same period for the previous year. However, a significant slowdown in passenger traffic for the last six months (October 2003 to March 2004) resulted in a marginal increase of only 0.9% in the number of passengers making use of the Airport facilities for the whole financial year compared to the previous year.

Nevertheless, the company continues to pursue its long-term strategic objectives and is actively looking for new business opportunities within the aviation sector. An airline marketing division was set up to attract new airlines to Malta and negotiations with various airlines were conducted during the year. It was anticipated that as a result of Malta's membership of the European Union, more airlines would be interested in commencing operations in Malta. The initial successes of this effort are already evident in the current summer season.

The initiative to attract more cargo traffic to the airport is also in its final stage of development. A new cargo shed shall be built in the second quarter of the next financial year supported by an agreement with a second ground handler. The company is also in discussions with Air Malta and various other airlines to explore the possibility of using the airport as a cargo hub.

The company remains actively involved in the development of the cruise and fly segment. The company, in association with VISET Malta p.l.c., participated in the Miami Sea Trade Fair to promote this business. The first operation involving a cruise liner home porting in Malta commenced in May 2004 and there are encouraging prospects for winter 2004 and summer 2005.

Retail activities at the airport were also high on the agenda of the company. The first phase of the restructuring of the departures hall was completed by the end of the financial year. New retail outlets and catering facilities were added and existing ones were relocated with the objective of increasing retail activity and enhancing the overall shopping experience of departing passengers. New contracts were also signed with concessionaires reflecting changes in the layout of the retail areas. The company has also invested in a new point of sale system to reflect the new procedures which needed to be adopted following Malta's entry into the EU.

Another area of interest to the company is the development of its surrounding land. The development of a Mediterranean Business Park is currently at a concept stage and the project was presented to prospective investors at the MIPIM fair in Nice in March 2004.

Discrepancies between the published forecasts in the Offering Memorandum issued in November 2002 and the actual results

Pursuant to Listing Rule 9.51.4, the directors hereby explain the difference in results between the published forecasts in the Offering Memorandum issued in November 2002 and the actual results for the year ended 31st March, 2004.

The profit before tax for the year of *Lm2,650,593* is *Lm1,447,578* less than the projected *Lm4,098,171*. The decrease is almost entirely attributable to turnover, which was 9% less than expected (*Lm14,302,327* compared to the projected *Lm15,732,088*). This discrepancy can be attributed principally to four distinct factors:

1. Passenger volumes. The actual number of passengers making use of the airport facilities during the year under review was 1% less than forecast. At the time of the IPO, the number of departing passengers for the financial year 2003/04 was projected at 1,314,485 passengers, when in actual fact the number of departing passengers was 1,302,327. The travel industry was affected by the Gulf War, Sars, a continued economic downturn in the Eurozone area and a general reluctance to travel due to fears of terrorist attacks. As a result, the company's revenue from the passenger service charge and landing fees was adversely affected.

2. Lower aviation-related revenues. Aviation fees (which are made up of the Passenger Service Charge and Landing Fees) are Regulated Charges and were expected to increase in 2003/04 to reflect an annual inflation-related formula in accordance with the Economic Regulations 2001 Legal Notice 299/2001 which was implemented as part of the airport's privatisation. However, the proposed increase was only assented to by the Airport Charges Regulatory Board to come into effect from 1st April, 2004. Accordingly, the charge for the financial year ended 31st March, 2004 to both passengers and airline was retained at the same level applicable for the previous year. As a result, the revenue from Passenger Service Charges was 3% lower than projected (from *Lm8,084,083* to *Lm7,812,822*) and revenue from Landing and Parking fees was 23% lower than projected (from *Lm1,930,220* to *Lm1,489,002*).

3. New Fees. The projected revenue for 2003/04 also included the introduction of new fees, which did not materialise as a result of protracted negotiations with service providers. The company had projected revenues of *Lm478,802* from the introduction of new proposed fees.

4. Lower concession fees. The company received *Lm376,584* less than projected in concession fees from the various shops and catering outlets at the Airport. The projected income from concession fees was *Lm2,519,517* (actual *Lm2,142,932*) and was based on the introduction of additional retail floorspace and the renewal of existing contracts at higher rates, together with the impact of a recovery in passenger volumes. The introduction of new floorspace was delayed and only came into effect in the last quarter of the financial year, with only a minimal effect on the turnover of the company.

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.

Results and dividends

The financial results of the company for the year ended 31st March, 2004 are shown in the profit and loss account on page forty. The profit for the year after taxation amounted to *Lm1,610,671* compared to *Lm13,576,065* in the prior financial year, which included a net profit after taxation of *Lm12,193,386* from the disposal of property.

The policy of the company is to distribute all the profits available for distribution in each year, subject to the company retaining adequate levels of working capital. Further to the interim dividends paid of *Lm947,100* (gross *Lm1,457,077*), the board of directors is recommending the payment of a final net dividend of 1.4 cents per share (gross 2.154 cents) to be paid on the 31st July, 2004.

Directors

The directors who served during the period were:

Michael Hoeferer	Chairman	(appointed 18th July, 2003)
Jean Depasquale	Deputy Chairman	
Peter R. Bolech	Chief Executive Officer	
Austin Calleja	Chief Financial Officer	
Ivan Falzon		(appointed 18th July, 2003)
Louis-M. St-Maurice		
Kurt Waniek		(resigned 18th July, 2003)
Winston J. Zahra		(appointed 18th July, 2003)
Lawrence Zammit		(resigned 17th June, 2003)

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 21 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 re-appoint 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 on 9th June, 2004 and signed on its behalf by:

Michael Hoeferer
Chairman

Peter R. Bolech
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Local legislation requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of its profit or loss for the year then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

1. Introduction

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

The Company acknowledges that the Code does not 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 Company's ordinary 'A' shares were listed on the Malta Stock Exchange on the 16th December, 2002. In this regard, the Board of Directors of the Company ("the Board") has carried out a review of the Company's compliance with the Code from the 1st April, 2003 up to the end of the financial period being reported upon.

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company's needs and ensures proper checks and balances within the Company, while 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 Manager. The Audit Committee is composed of two Non-Executive Directors and two former Board members of the Company.

The second feature is that the Board is composed of a balance of 5 Non-Executive Directors and 2 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. This is designed to ensure that all the members of the Board are provided with 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. Executive Directors do not participate in discussions setting out their remuneration. To comply with the requirements of the Code as regards the disclosure of Directors' remuneration, the Board has opted to disclose an aggregate figure. For the financial year under review the aggregate remuneration of the Directors of the Company, including remuneration paid to the two Executive Directors, amounted to *Lm100,256*.

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

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

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

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2. Board of Directors

Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board and the appointment of the second Executive Director (not the CEO).

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

3. Committees

3.1 The Executive Committee

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

3.2 The Audit Committee

has met six times, and has as its principal role the monitoring of internal systems and controls. Mr Jean Depasquale chaired the Audit Committee and its other members are Mr Louis-M. St-Maurice, Mr Patrick Calleja and Mr Anton Chetcuti Ganado.

4. Senior Executive Management

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

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

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

5. Annual General Meeting

Business at the Company's Annual General Meeting (AGM) will cover the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, the election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration.

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

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 redesigned the function of the internal auditors with reporting duties also to the CEO and to function more closely to management. This is designed to ensure that any shortcomings detected by the internal auditors are reported in a more timely and expeditious manner directly to management so that prompt action can be taken.

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

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

6.1 Organisation

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

6.2 Control Environment

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

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

6.3 Risk Identification

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

7. Information and Communication

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

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

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AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

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

Pursuant to Listing Rule 8.26 issued by the Listing Authority of the Malta Financial Services Authority, the Directors are required to include in their annual report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 8.28, which requires us to include a report on the Statement of Compliance.

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

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

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

Stephen Paris

DELOITTE & TOUCHE
Certified Public Accountants
1, Col. Savona Street
Sliema
Malta

9th June, 2004

AUDITORS' REPORT

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

We have audited the financial statements of Malta International Airport p.l.c. on pages forty to fifty-five for the year ended 31st March, 2004. As described in the statement of directors' responsibilities on page thirty-four, these financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31st March, 2004 and of its profit, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1995.

Stephen Paris

DELOITTE & TOUCHE
Certified Public Accountants
1, Col. Savona Street
Sliema
Malta

9th June, 2004

PROFIT AND LOSS ACCOUNT Year ended 31st March, 2004

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	Note	2004 Lm	2003 Lm
Operating income	*3*	**14,302,327**	13,331,132
Operating costs		**(10,744,130)**	(10,434,136)
Operating profit		**3,558,197**	2,896,996
Realised exchange loss		**(4,129)**	(54,935)
(Loss)/gain on disposal of tangible fixed assets		**(1,164)**	3,159
Release of deferred income arising on the sale of the terminal building and fixtures		**123,720**	82,480
Gain on disposal of current asset investment		**1,760**	-
Interest receivable and similar income		**46,921**	65,650
Interest payable and similar charges	*4*	**(1,074,712)**	(825,137)
Profit on ordinary activities before exceptional items and taxation		**2,650,593**	2,168,213
Exceptional item - profit on sale and leaseback transaction		**-**	16,000,000
Profit before taxation	*5*	**2,650,593**	18,168,213
Tax on profit on ordinary activities	*8*	**(1,039,922)**	(4,592,148)
Profit for the year		**1,610,671**	13,576,065
Earnings per share	*25*	**2.38 c**	20.07 c
Earnings per share excluding sale and leaseback transaction		**2.38 c**	2.04 c

BALANCE SHEET 31st March, 2004

	Note	2004 Lm	2003 Lm
Fixed assets			
Tangible assets	*10*	**40,929,914**	42,259,194
Financial assets	*11*	**124,666**	124,666
		41,054,580	42,383,860
Non-current asset			
Deferred taxation	*12*	**2,423,831**	2,497,520
Current assets			
Stock	*13*	**403,508**	414,480
Debtors	*14*	**2,418,456**	1,767,552
Taxation	*8*	**1,327,074**	843,718
Investments	*15*	**-**	247,881
Cash at bank and in hand		**2,525,884**	1,339,498
		6,674,922	4,613,129
Creditors: amounts falling due within one year	*16*	**(3,536,824)**	(2,210,683)
Net current assets		**3,138,098**	2,402,446
Total assets less current liabilities		**46,616,509**	47,283,826
Creditors: amounts falling due after more than one year	*17*	**(3,595,949)**	(3,719,669)
Interest bearing liabilities	*18*	**(20,000,000)**	(20,000,000)
Provisions for liabilities and charges	*19*	**(1,930,478)**	(1,795,891)
		21,090,082	21,768,266
Capital and reserves			
Called up issued share capital	*20*	**13,530,000**	13,530,000
Revaluation reserve		**793,481**	814,362
Dividends payable reserve	*22*	**947,100**	1,353,000
Profit and loss account		**5,819,501**	6,070,904
		21,090,082	21,768,266

These financial statements were approved by the Board of Directors, authorised for issue on 9th June, 2004 and signed on its behalf by:

Michael Hoeferer - Chairman

Peter R. Bolech - Chief Executive Officer

Austin Calleja - Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY Year ended 31st March, 2004

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	Share capital Lm	Exchange reserve Lm	Revaluation reserve Lm	Dividends payable reserve Lm	Profit and loss account Lm	Total Lm
Balance at 1st April, 2002	13,530,000	156,994	835,243	-	5,297,534	19,819,771
Difference between historical depreciation charge and actual depreciation for the year calculated on the revalued amount	-	-	(32,126)	-	32,126	-
Deferred tax liability on revaluation	-	-	11,245	-	-	11,245
Transfer to profit and loss account	-	(156,994)	-	-	156,994	-
Net gains and losses not recognised in the profit and loss account	-	(156,994)	(20,881)	-	189,120	11,245
Profit for the year	-	-	-	-	13,576,065	13,576,065
Dividends paid	-	-	-	-	(11,638,815)	(11,638,815)
Dividends proposed				1,353,000	(1,353,000)	-
	-	-	-	1,353,000	584,250	1,937,250
Balance at 31st March, 2003	13,530,000	-	814,362	1,353,000	6,070,904	21,768,266
Difference between historical depreciation charge and actual depreciation for the year calculated on the revalued amount	-	-	(32,126)	-	32,126‘	-
Deferred tax liability on revaluation	-	-	11,245	-	-	11,245
Net gains and losses not recognised in the profit and loss account	-	-	(20,881)	-	32,126	11,245
Profit for the year	-	-	-	-	1,610,671	1,610,671
Dividends paid (note 9)	-	-	-	(1,353,000)	(947,100)	(2,300,100)
Dividends proposed (note 9)	-	-	-	947,100	(947,100)	-
	-	-	-	(405,900)	(283,529)	(689,429)
Balance at 31st March, 2004	**13,530,000**	**-**	**793,481**	**947,100**	**5,819,501**	**21,090,082**

CASH FLOW STATEMENT Year ended 31st March, 2004

	Note	2004 Lm	2003 Lm
Net cash flows from operating activities	23	**4,425,665**	(251,618)
Cash flows from investing activities			
Payments to acquire tangible fixed assets		**(643,805)**	(4,188,099)
Proceeds from disposal of tangible fixed assets		**6,060**	42,399
Net cash flows from investing activities		**(637,745)**	(4,145,700)
Cash flows from financing activities			
Interest paid		**(549,315)**	(818,711)
Repayment of bank borrowings		**-**	(3,673,388)
Bank loan draw-down		**-**	20,000,000
Dividends paid		**(2,300,100)**	(11,638,815)
Net cash flows from financing activities		**(2,849,415)**	3,869,086
Net movement in cash and cash equivalents		**938,505**	(528,232)
Cash and cash equivalents at the beginning of the year		**1,587,379**	2,115,611
Cash and cash equivalents at the end of the year	24	**2,525,884**	1,587,379

1. **Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of buildings.

The financial statements have been prepared in accordance with International Financial Reporting Standards. The more important accounting policies are set out below.

2. **Principal accounting policies**

Tangible assets

Buildings

Buildings held for use in the supply of services or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to accumulated profits.

Temporary emphyteusis

The temporary emphyteusis is being amortised to the profit and loss account in equal annual instalments over the term of the emphyteusis, being 65 years.

Properties in the course of construction

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Contributions from third parties

Contributions from third parties in respect of identified tangible fixed assets are credited to the individual asset concerned.

Other tangible assets

Other tangible assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	- 2% of cost/valuation
Navigation and airfield equipment	- 10% of cost
Computer and communication equipment	- 25% of cost
Fixtures and fittings	- 10% of cost
Landscaping	- 33 1/3% of cost
Office furniture and fittings	- 15% of cost
Plant, equipment and tools	- 10 - 20% of cost

Financial instruments

Financial assets and financial liabilities are recognised on the Company balance sheet when the Company has become party to the contractual provisions of the instrument.

Trade debtors

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial assets and investments

Financial assets and investments are initially measured at cost.

Available-for-sale investments are remeasured to fair value, unless this cannot be reliably measured.

Unrealised gains and losses from available-for-sale investments are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received.

Trade creditors

Trade creditors are stated at their nominal value.

Impairment

At each balance sheet date the Company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. 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 losses/reversals are recognised in the profit and loss account immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss/reversal is treated as a revaluation movement.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Revenue recognition

(i) Provision of services

Revenue from the provision of services is recognised in the period when the service provided is rendered.

(ii) Interest receivable

Interest is recognised on an accrual basis.

(iii) Investment income

Investment income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

(iv) Deferred income

Deferred income arising from the gain on disposal of the terminal building and fixtures is transferred to the profit and loss account in equal annual instalments over the remaining useful economic life of such assets.

Taxation

The charge for current tax is based on the charge for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been 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 basis used in the computation of taxable profit.

2003
2004

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the profit and loss account, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions denominated in other reporting currencies are translated at the exchange rate ruling on the date of transaction. Monetary assets and liabilities denominated in other reporting currencies are translated to Maltese Liri at the exchange rate ruling at year end. Translation gains and losses are dealt with in the profit and loss account.

Hire purchase transactions

Assets acquired under hire purchase agreements are capitalised and depreciated in accordance with the Company's normal policy. The outstanding liabilities under such agreements, less interest not yet due, are included in creditors. Interest on such agreements is charged to the profit and loss account over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding.

Retirement benefit costs

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand, less bank advances repayable within three months of the date of the advance.

Dividends payable

Dividends on ordinary shares are recognised as liabilities in the period in which they are declared.

3. Operating income

Operating income 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.

	2004	2003
	Lm	Lm
Aircraft landing and parking fees	**1,489,002**	1,413,206
Concessionaires' turnover charge	**2,142,932**	2,128,819
Ground handling charge	**596,432**	564,648
Other income	**1,082,588**	1,067,914
Passenger service charge	**7,812,822**	7,752,352
Rent	**447,932**	393,436
Security fees	**730,619**	10,757
	14,302,327	13,331,132

4. Interest payable and similar charges

	2004	2003
	Lm	Lm
On bank loan	**1,051,370**	818,711
On bank current accounts	**18,628**	5,635
On hire purchase contracts	**4,714**	791
	1,074,712	825,137

5. Profit before taxation

	2004	2003
	Lm	Lm
This is stated after charging/(crediting):		
Auditors' remuneration	**5,750**	5,750
Bad debts	**26,684**	14,087
Depreciation and amortisation	**2,018,040**	1,973,493
Directors' emoluments (note 6)	**100,256**	103,826
Decrease in provision for bad debts	**(10,692)**	(16,193)

6. Directors' emoluments

	2004	2003
	Lm	Lm
Non-Executive Directors		
Management remuneration	**2,875**	17,926
Other fees	**750**	9,940
	3,625	27,866
Executive Directors		
Salaries as full-time Company employees	**77,781**	51,323
Other benefits	**18,850**	24,637
	96,631	75,960
	100,256	103,826
Professional indemnity liability insurance premiums	**23,223**	10,537

Mr Louis-M. St-Maurice agreed to waive any Director's emoluments payable to him for the year under review.

7. Staff costs and employee information

	2004	2003
	Lm	Lm
Staff costs:		
Wages and salaries	**3,085,595**	3,162,440
Social security costs	**223,378**	240,401
Directors' emoluments (note 6)	**100,256**	103,826
	3,409,229	3,506,667

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

	2004	2003
	Number	Number
Business development, operations and marketing	**122**	129
Finance and human resources	**28**	29
Firemen	**69**	86
Meteorological office	**18**	20
Safety, security and administration	**93**	104
Technical and engineering	**99**	93
	429	461

8. Tax on profit on ordinary activities

	2004	2003
	Lm	Lm
Balance brought forward	**(843,718)**	543,750
Tax charge for the year:		
Malta tax at 35%	**958,877**	6,010,396
Final withholding tax at 15%	**7,335**	10,518
Additional tax	**21**	-
Deferred taxation	**73,689**	(1,428,766)
	1,039,922	4,592,148
Sub-total	**196,204**	5,135,898
Tax paid:		
Settlement tax	**(20)**	(544,022)
Provisional tax	**(1,442,234)**	(1,442,234)
Provisional capital gains tax	**-**	(5,411,608)
Tax at source on investment income	**(7,335)**	(10,518)
Transfer to deferred taxation (note 12)	**(73,689)**	1,428,766
Balance carried forward	**(1,327,074)**	(843,718)

An amount due from the Inland Revenue Department, disclosed above under taxation and amounting to *Lm843,446,* is expected to be received by 30th September, 2004. The Company will earn 1% interest per month in the event that the refund is received at a later date.

The taxation balance includes an amount of *Lm480,626* which is receivable after more than one year (2003 – *Lm843,446*).

The tax at the applicable rate of 35% and the tax charge for the year applying the statutory domestic income tax rate are reconciled as follows:

	2004	2003
	Lm	Lm
Profit for the year	**2,650,593**	18,168,213
Tax at the applicable rate of 35%	**927,708**	6,358,875
Tax effect of:		
Depreciation and amortisation charges not deductible by way of capital allowances in determining taxable income	**118,114**	38,100
Sale and leaseback transaction	**-**	(1,793,386)
Disallowed expenses in taxable income	**4,079**	4,236
Tax free investment income	**(616)**	-
Additional tax	**21**	-
Investment income subject to lower tax rates	**(9,384)**	(15,677)
Tax charge for the year	**1,039,922**	4,592,148

9. Dividends

In respect of the prior year, the net dividend of 2 cents per share (gross 3.077 cents) proposed by the Directors was approved by shareholders at the Annual General Meeting and was paid on 31st July, 2003.

In respect of the current year, on 22nd December, 2003, a net dividend of 1.4 cents per share (gross 2.154 cents) was paid to the shareholders.

The Directors propose that a net dividend of 1.4 cents per share (gross 2.154 cents) will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has been included in the dividends payable reserve.

10. Tangible assets

	Temporary emphyteusis Lm	Land and buildings Lm	Fixtures, fittings, plant and equipment Lm	Total Lm
Cost/valuation				
At 01.04.2003	18,044,970	23,521,285	18,390,659	59,956,914
Additions	-	20,446	675,538	695,984
Disposals	-	-	(45,967)	(45,967)
Transfers	-	57,595	(57,595)	-
At 31.03.2004	18,044,970	23,599,326	18,962,635	60,606,931
Depreciation / amortisation				
At 01.04.2003	185,077	3,949,480	13,563,163	17,697,720
Provision for the year	277,615	471,430	1,268,995	2,018,040
Released on disposal	-	-	(38,743)	(38,743)
At 31.03.2004	462,692	4,420,910	14,793,415	19,677,017
Net book value				
At 31.03.2003	17,859,893	19,571,805	4,827,496	42,259,194
At 31.03.2004	**17,582,278**	**19,178,416**	**4,169,220**	**40,929,914**

The last revaluation carried out was at 31st March, 2000 on the replacement cost basis. The carrying amount of buildings that would have been included in the financial statements had these assets been carried at cost less depreciation is *Lm17,957,673* (2003 - *Lm18,318,938)*.

At 31st March, 2004, tangible assets totalling *Lm10,517,489* (2003 - *Lm9,631,327*) were fully written off but still in use by the Company.

2003
2004

11. Financial assets

These are stated at cost and comprise:

	% holding	2004 and 2003 Lm
32,700 ordinary shares of Lm10 each 33.3% paid up in Viset Malta p.l.c.	*10.9*	**124,666**

12. Deferred taxation

	2003 Lm	Movement for the year Lm	2004 Lm
Arising on:			
Fixed assets	659,198	(77,983)	**581,215**
Provision for pension costs	475,087	51,041	**526,128**
Deferred income	1,345,186	(43,302)	**1,301,884**
Other timing differences	18,049	(3,445)	**14,604**
	2,497,520	(73,689)	**2,423,831**

13. Stock

Stock comprises consumable spare parts and airfield equipment.

14. Debtors

	2004 Lm	2003 Lm
Trade debtors	**1,433,081**	1,223,026
Other debtors	**181,966**	178,079
Amounts due from related companies	-	68,444
Prepayments and accrued income	**703,409**	298,003
	2,418,456	1,767,552

Included in other debtors is an amount of *Lm104,172* (2003 - *Lm104,172*) due to the Department of VAT which is in dispute. Subsequent to the year end, on 1st June, 2004, the Company received correspondence from the VAT Appeals Board whereby the claim was decided against the Company. The Company shall be filing an appeal before 30th June, 2004 against the judgement of the VAT Appeals Board. The Board remains confident that the amount is fully recoverable. Consequently, no provision has been made in these financial statements. Other debtors also include an amount due from Gozo Heliport Limited for recharge of services of *Lm157,631* (2003 - *Lm76.877*).

15. Investments

	2004 Lm	2003 Lm
Treasury bills	-	247,881

16. Creditors: amounts falling due within one year

	2004 Lm	2003 Lm
Trade creditors	**1,038,407**	939,189
Amounts due to related party	**39,431**	50,495
Accruals and deferred income	**2,458,986**	1,220,999
	3,536,824	2,210,683

17. Creditors: amounts falling due after more than one year

	2004 Lm	2003 Lm
Deferred income	**3,719,668**	3,843,388
Less: amounts included in creditors falling due within one year	**(123,719)**	(123,719)
	3,595,949	3,719,669

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

18. Interest bearing liabilities

	2004	2003
	Lm	Lm
Bank loan	**20,000,000**	20,000,000

The bank loan is secured by a general hypothec for *Lm20,000,000* and interest over all the Company's present and future assets, with the exception of the terminal buildings and other sites. The loan interest is charged at *2%* per annum over the bank base rate, currently at *5%* (2003 - *5.75%*) with a moratorium of three years over the repayment of the loan.

The maturity of the bank loan may be analysed as follows:

	2004	2003
	Lm	Lm
In one year or less	**-**	-
Between one and two years	**2,582,700**	-
Between two and five years	**8,549,060**	7,725,784
Over five years	**8,868,240**	12,274,216
	20,000,000	20,000,000

19. Provision for liabilities and charges

	2004	2003
	Lm	Lm
Deferred taxation	**427,256**	438,501
Provision for retirement benefit fund	**1,503,222**	1,357,390
	1,930,478	1,795,891

Deferred taxation

	2003	Movement for the year	2004
	Lm	Lm	**Lm**
Arising on:			
Revaluation reserve	438,501	(11,245)	**427,256**

Provision for retirement benefits

The provision for retirement benefits represents the year-end provision for possible future liabilities relating to pensions of employees who joined the public service before the 15th January, 1979 and were transferred to the Company. The provision has been computed in accordance with the accounting policy stated in note 2. The movement in the provision for retirement benefits may be analysed as follows:

	2004	2003
	Lm	Lm
Balance at 1st April	**1,357,390**	1,402,927
Payments effected	**-**	(157,277)
Charge for the year	**145,832**	111,740
Balance at 31st March	**1,503,222**	1,357,390

20. Share capital

		2004 and 2003
		Issued and
	Authorised	**called up**
	Lm	**Lm**
40,589,995 "A" ordinary shares of Lm0.20 each (all of which have been issued and called up)	**8,117,999**	**8,117,999**
27,060,000 "B" ordinary shares of Lm0.20 each (all of which have been issued and called up)	**5,412,000**	**5,412,000**
5 "C" ordinary shares of Lm0.20 each (all of which have been issued and called up)	**1**	**1**
32,350,000 unissued ordinary shares of Lm0.20 each	**6,470,000**	**-**
	20,000,000	**13,530,000**

Shareholders

The shareholders owning 5% or more of the Company's equity share capital at 31st March, 2004 were the following:

Malta Mediterranean Link Consortium Limited	40% 'B' shares
The Government of Malta	40% 'A' and 'C' shares

The number of holders of each class of share at 31st March, 2004 was as follows:

Number of ordinary shares held	Number of accounts	Number of shares	% of shares
Ordinary 'A' shares			
1 - 1,000	1,596	1,264,073	1.87
1,001 - 5,000	2,437	5,536,593	8.18
5,001 and above	489	33,789,329	49.95
	4,522	40,589,995	60.00
Ordinary 'B' shares	1	27,060,000	40.00
Ordinary 'C' shares	1	5	-
	4,524	67,650,000	100.00

The above number of holders did not differ significantly from 31st March, 2004 to 9th June, 2004.

Voting rights attaching to the Company's shares

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

21. Directors' interests

The beneficial and non-beneficial interests of the Directors who held shares in the Company at the end of the year are set out below:

	Beneficial shares	Non-beneficial shares
Austin Calleja	5,000	-
Jean Depasquale	6,900	1,300
	11,900	1,300

22. Dividends payable reserve

The dividends payable reserve emanates from dividends proposed before the financial statements were authorised for issue.

23. Net cash flows from operating activities

	2004	2003
	Lm	Lm
Profit before taxation	**2,650,593**	18,168,213
Adjustments for:		
Depreciation	**2,018,040**	1,973,493
Interest payable	**1,074,712**	825,137
Loss/(gain) on disposal of tangible fixed assets	**1,164**	(3,159)
Gain on sale of terminal land	**-**	(16,000,000)
Release of deferred income arising on the sale of the terminal building and fixtures	**(123,720)**	(82,480)
Interest receivable	**(46,921)**	(65,650)
Provision for retirement benefits	**145,832**	111,740
Provision for bad debts	**(10,692)**	(16,193)
Operating profit before working capital movement	**5,709,008**	4,911,101
Movement in stock	**10,972**	(4,109)
Movement in debtors	**(642,194)**	3,077,624
Movement in creditors	**771,907**	(891,543)
Cash flows from operations	**5,849,693**	7,093,073
Interest paid	**(23,342)**	(6,426)
Taxation paid on normal operations	**(1,449,589)**	(1,996,774)
Taxation paid on exceptional items	**-**	(5,411,608)
Interest received	**48,903**	70,117
Net cash flows from operating activities	**4,425,665**	(251,618)

24. Cash and cash equivalents

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

	2004	2003
	Lm	Lm
Cash at bank and in hand	**2,525,884**	1,339,498
Treasury bills	**-**	247,881
	2,525,884	1,587,379

25. 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.

In the prior year, earnings per ordinary share excluding sale and leaseback transaction have been calculated by dividing the profit for the year after taxation excluding the net profit from the disposal of property by the average number of ordinary shares in issue during the year.

For the purpose of the calculation of earnings per share, the share split that happened in the prior financial year has been treated as if it had occurred prior to 1st April, 2002, the earliest period reported. This is done since the share split is an issue without consideration.

26. Capital commitments

	2004	2003
	Lm	Lm
Contracted but not provided for	**185,000**	195,000
Authorised but not contracted for	**561,500**	-

27. Contingent liabilities

At the balance sheet date there existed:

(i) eight claims filed by employees of the Company with the Tribunal for the Investigation of Injustices for unfair promotions, and
(ii) other unquantified claims by third parties and a former Director.

No provision has been made in these financial statements for any liability as in the opinion of the Directors all claims are unfounded.

Furthermore, at the balance sheet date the Company had given the following guarantees:

(i) in favour of Viset Malta p.l.c. for *Lm242,133* (2003 – *Lm242,133*), and
(ii) for outstanding liabilities amounting to *Lm174,675* (2003 – *Lm275,535*).

28. Operating lease arrangements

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

	2004	2003
	Lm	Lm
Within one year	**300,000**	300,000
In the second to fifth years inclusive	**1,290,000**	1,245,000
After five years	**49,872,900**	50,217,900
	51,462,900	51,762,900

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

29. Related party transactions

A related party exists where one party has the ability to control or exercise significant influence over another party in making financial and operating decisions.

During the course of the year, the Company entered into transactions with the following related parties:

Malta Tax Free Marketing Group
SNC-Lavalin Inc.
VIE (Malta) Limited

The related party transactions in question were:

	Related party activity	Total activity	
	Lm	Lm	%
Marketing costs	60,716	605,046	10
Technical service fees and expenses	356,512	356,512	100

30. Contracts of significance

Pursuant to Listing Rules 9.51.14 and 9.51.15 issued by the Listing Authority of the Malta Financial Services Authority, the contracts of significance entered into by the Company in the year ended 31st March, 2004 with its substantial shareholders and their related parties are the following:

Malta Mediterranean Link Consortium Ltd

(i) The provision of technical services by the Company's strategic partners VIE (Malta) Limited and SNC-Lavalin Inc. giving rise to an expense of *Lm356,512*.

The Government of Malta

(i) The terminal land lease agreement with the Lands Department for *Lm305,685*;
(ii) The contract for contribution to the Malta Tourism Authority for *Lm206,763*;
(iii) The provision of air navigation services and other services by Malta Air Traffic Services Limited for an expense of *Lm509,467*;
(iv) The provision of meteorological services and other services to Malta Air Traffic Services Limited for revenue of *Lm365,797*;
(v) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of *Lm1,699,092*;

Furthermore a contract with Enemalta Corporation for fuel throughput has been signed in March 2004 covering the financial year starting on 1st April, 2004.

31. Parent company

For the purposes of IAS 27 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries, 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.

32. Financial instruments

Financial assets of the Company include cash classified as current assets in the balance sheet, as well as debtors. Financial liabilities of the Company include borrowings and creditors. The accounting policies for these assets and liabilities are set out in note 2 to the financial statements and those policies are directed towards the establishment of fair values for these assets and liabilities.

Fair values

At 31st March, 2004 and 2003 the carrying amounts of creditors, debtors and short-term borrowings approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from their carrying amounts.

33. Financial risk management

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of debtors and investments. Trade debtors are presented net of an allowance for doubtful debts. Credit risk, with respect to debtors is limited due to credit control procedures and the large number of customers comprising the Company's debtor base. Investments are acquired after assessing the quality of the relevant investments.

Interest rate risk

The Company has taken out bank facilities to finance its operations as disclosed in note 18. The interest rates thereon and the terms of such borrowings are disclosed accordingly. Management monitors the movement in interest rates and where possible, reacts to material movements in such rates accordingly.

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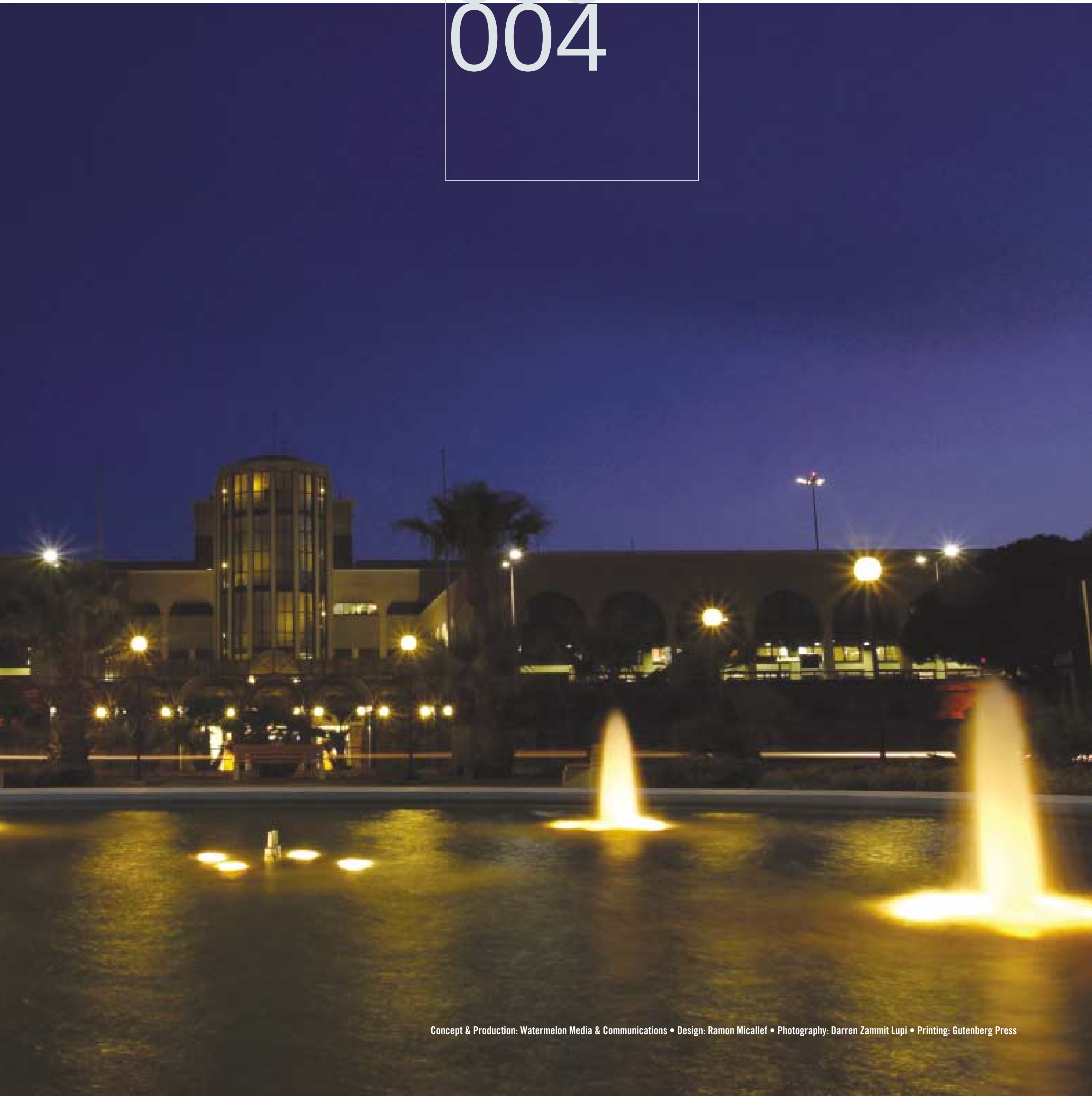

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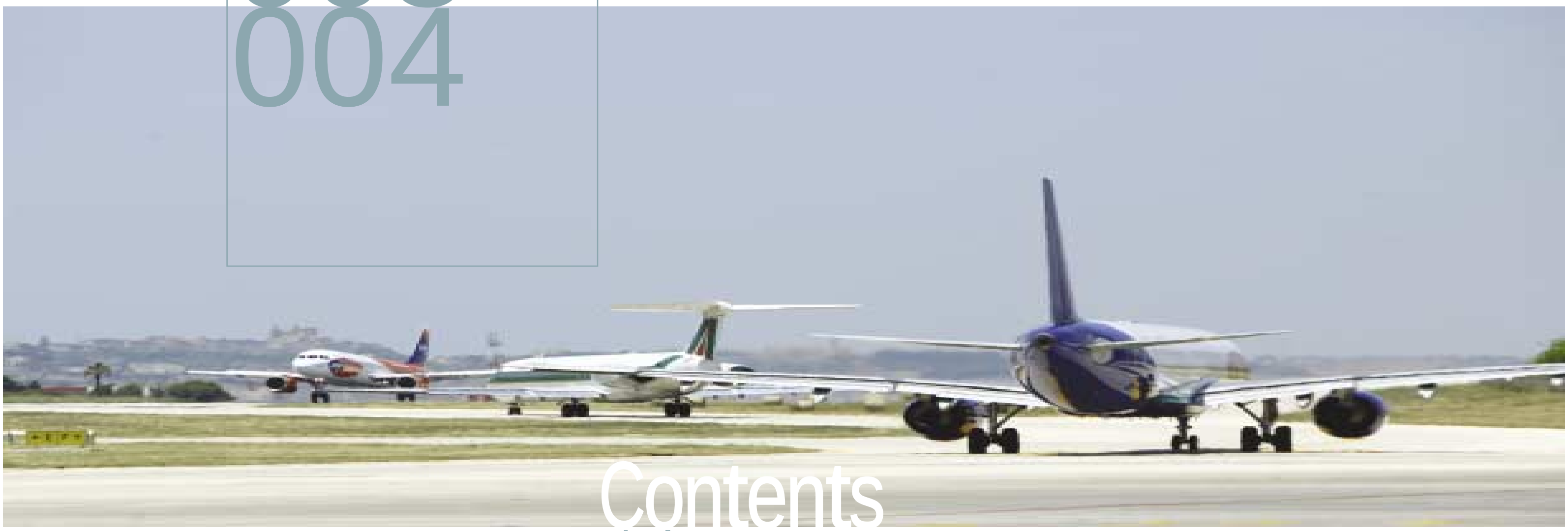

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MAKING IT HAPPEN

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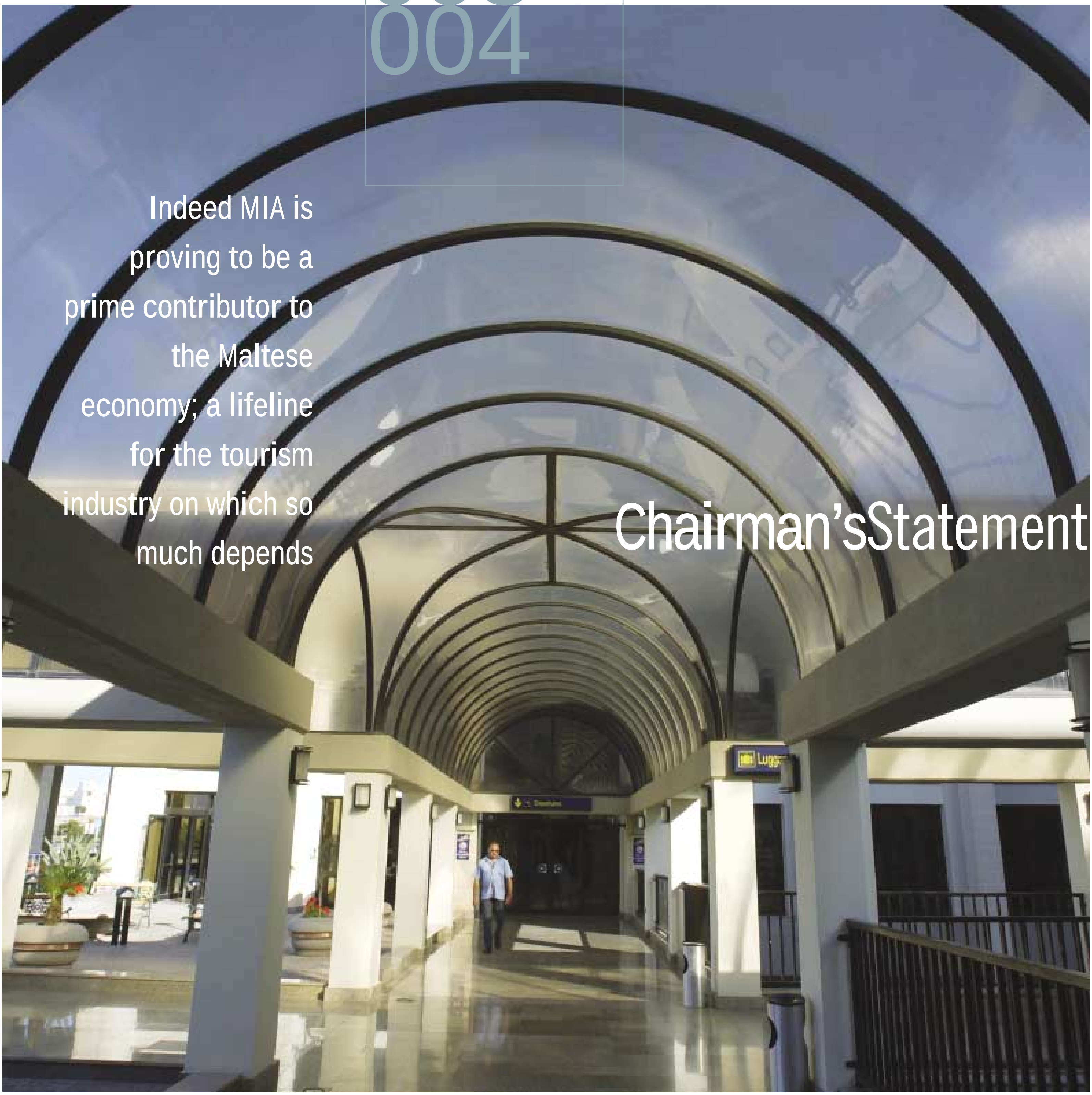
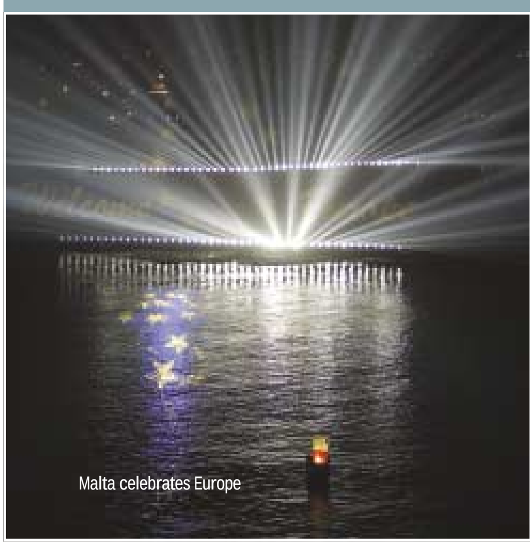
Chairman'sStatement

Indeed MIA is proving to be a prime contributor to the Maltese economy; a lifeline for the tourism industry on which so much depends




Michael Hoeferer Chairman

IF THE LAST YEAR WAS AN EVENTFUL ONE FOR MIA, THIS YEAR HAS CERTAINLY BEEN EVEN MORE EVENTFUL FOR MALTA. The first eighteen months of privatisation have shown that the new direction laid out by our business plan is being consolidated and is now fully operational • The new areas of business activity that have been identified are being thoroughly exploited. The new concepts set for development are becoming tangible realities. Indeed, MIA is proving to be a prime contributor to the Maltese economy; a lifeline for the tourism industry on which so much depends • Suffice it to mention the Cruise & Fly project which should be marking an increase on cruise liner traffic; the cargo hubbing programme which is steadily developing and registering significant increases; the aircraft movements including established airlines in Malta and new airline operations that are mushrooming. Moreover, the land development concept is now underway and is already attracting the interest of new and significant investors to Malta which, in turn, will be an important source of job creation for the island • No doubt, the opening of Malta's historic chapter which sees it as a fully-fledged member of the EU opens new horizons and broadens our outlook to face the new challenges ahead. To my mind this augurs well for the future of Malta and all at MIA since the company has now adopted an aggressive approach and is sparing no effort to consolidate its operations as well as establish new business activity in which it has the full potential to invest successfully.


Malta celebrates Europe

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Making it Happen

PETER R. BOLECH Chief Executive Officer

THE SALIENT MESSAGE OF THIS YEAR'S BUSINESS REPORT IS, IN ITSELF, A CHALLENGE PRESENTED TO ENCOURAGE US ALL TO COME TO GRIPS WITH MALTA'S NEW REALITY • Indeed, as full member of the European Union, this Mediterranean archipelago, which in the course of my stay here I have not only grown to appreciate better but of which I now feel part, faces a myriad of new opportunities which must necessarily be skilfully sourced, speedily and efficiently, in order to meet the juncture of competitiveness. The key to all this does not merely pertain to our organisation but undoubtedly to Malta as a nation. It is an acknowledged fact that Malta's only natural resource is the zeal and abilities of its people. At MIA, we have not ignored this natural characteristic but we are seeking to build on it • As I mentioned last year, I would once again reiterate my belief that the development of human resources is always the key to the future and success of any company. In this regard, we have completed our Strategy Groups' programme which was specifically devised to enhance staff participation in the fundamental involvement of the company's corporate functions. Hereby there emerged our revamped Mission Statement prompted by the new scenario brought about by intrinsic and extraneous factors, respectively the company's privatisation as well as the country's social and economic developments. The workings of these comprehensive groups were not only approved but also commended by the Board of Directors. This exercise is now a policy document that is directed to guide us all towards a better understanding of the exigencies of our customers and consequently the provision of a more refined service for the much coveted customer satisfaction. This premise leads me to delve further on the customer enthusiasm programme which the company has commissioned through international training consultants aimed at instilling a deeper awareness of customer needs among all our employees across the board • Our decision to increase the company's involvement in community projects on the national level has gathered momentum through the resumption of a fully-fledged Communications and Events Division operating with the precise brief of inter alia fulfilling the company's policy in the particular areas of what have been termed as the main *pillars* of Culture, Environment and Sports. The first phase of Manoel Theatre Restoration Project which included the restoration of the 18th century paintings on all the frontispieces of the auditorium boxes and has seen the direct participation of MIA on a private-public partnership, is now concluded. We have recently launched the commencement of the second phase which comprises the restoration of the proscenium and ceiling. In the environmental field, in partnership with the Ministry for Rural Development, MIA has 'adopted' a stretch of land in the Mellieha area according to the Woodland 2000 scheme whereby 500 trees have been planted as part of an afforestation project. This is the initial step leading to the recreation of woodland in the entire area. The National Sport Council is now the prime beneficiary of our commitment towards sports in Malta and through this agreement we are now ensuring that all sports practised here benefit from assistance given to the development of youth potential in sportsmanship.


Peter R. Bolech Chief Executive Officer


Jean Depasquale Deputy Chairman


Louis-M. St-Maurice


Austin Calleja Chief Financial Officer

board of directors


Winston J. Zahra


Ivan Falzon


Louis Degabriele Company Secretary

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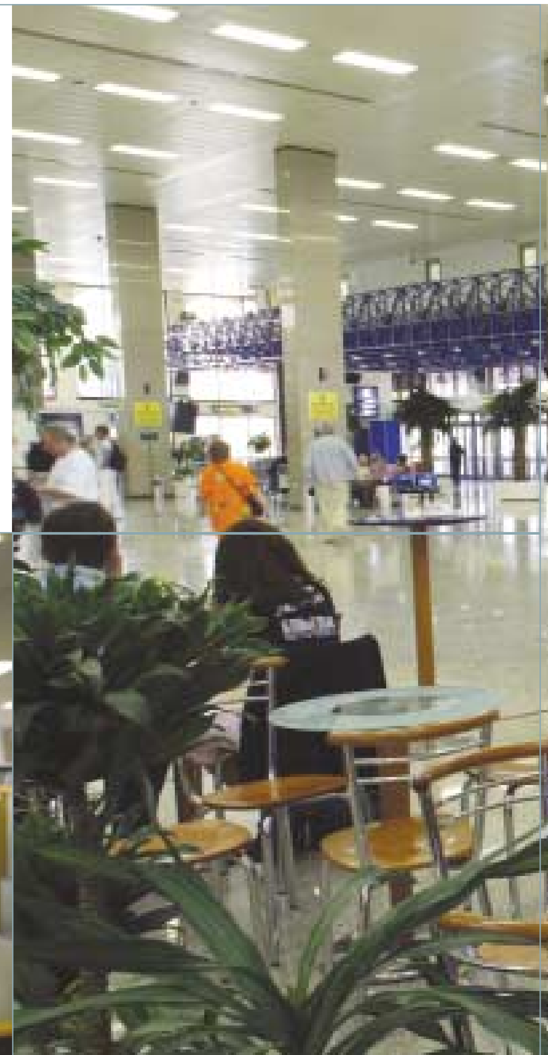
In view to materialising the six pivotal points originally set as the focus of our company's strategy, we have considerably strengthened the MARKETING AND BUSINESS DEVELOPMENT DIVISION at managerial level in an effort to provide adequately for the constant growth of new business areas in this sector. Our efforts in endeavouring to attract more airlines to operate to Malta are already bearing positive results. The current summer schedule shows that more than ten new airlines have commenced operations to Malta while others are expected to increase their frequencies in summer 2005.



PASSENGER HUBBING remains a priority for MIA. Given Malta's geopolitical location, gradually we are working towards making Malta a multi-modal transport hub within the Mediterranean. Related feasibility studies and marketing plans are being finalised whereas contacts leading to eventual negotiations with interested parties are underway.

As in the past, MIA will pursue its SUPPORT TO THE MALTA TOURISM AUTHORITY not solely by being the largest private contributor to its annual budget but equally with its invaluable marketing expertise and ceaseless efforts in promoting Malta as a tourist destination.

Arrivals&Departures

April 003 - March 004 2,677,519

April 002 - March 003 2,661,214

April 001 - March 002 2,764,519

STATISTICS

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Our belief in the important role which the CARGO MARKET can play in the generation of additional revenue and we are confident that this sector has enormous potential given Malta's geographical position, it was agreed that a cargo shed of 1500 m^2 will be built to ensure that adequate cargo handling space is readily available once the cargo strategy we are implementing together with our partners SNC Lavalin continues to give the expected yield. To date, cargo volumes that moved through our airport have, in fact, increased by 30% over last year.

Take-off&Landing

STATISTICS

April 003 - March 004	32,456
April 002 - March 003	31,030
April 001 - March 002	32,073

Summer 2004 will be welcoming between 20,000 – 25,000 new passengers thanks to the CRUISE & FLY programme which is aimed at establishing Malta as a turnaround port for cruise liner companies. Together with our partners VISET plc we are dedicating deserved importance to this new business which is destined to bring about a considerable contribution to the Maltese economy in general. Our relationship with VISET plc is due to intensify and jointly with MTA we expect to succeed in developing Malta as the cruise liner hub of the Mediterranean.

The LAND DEVELOPMENT PROJECT was introduced at a specialised international fair in Cannes in March 2004. Given the interest that was generated, the plans for this Mediterranean Business Park have now been submitted to MEPA and in-depth discussions accompanied by the undertaking of feasibility reports are underway. Prospective investors are being kept abreast of developments in order to secure their interest in this mega project earmarked to be a priceless economy booster for our country.

ExpenditureConcessionaires (Lm)

April 003 - March 004	16,476,264
April 002 - March 003	15,916,870
April 001 - March 002	15,422,824

Since the introduction of non-aviation revenue at MIA, the airport has concentrated on further development of the tax-free shopping area dedicating MORE SPACE TO COMMERCIAL CONCESSIONS. Moreover, all other retail outlets situated in the Departures area have been completely refurbished, thus providing an improved mix of outlets as well as a wider range of products. This has resulted in an increased average spend per passenger and has sustained substantial growth. The global backdrop to all this activity cannot be said to have been an enticing one. Nonetheless, we can safely claim to have held our position in the face of all the adverse circumstances that have affected the international aviation scene. This, in itself, should be considered positive and looked upon as paving the way towards a promising future. Our next step should be aimed towards consolidation in order to start reaping the fruits of the seeds we have sown. The harvest beckons, our confidence in the manpower of the company, the willpower of its people, the support of all stakeholders and the trust of our shareholders should ensure that together we will make it happen.

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MissionStatement

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

MALTA
INTERNATIONAL
AIRPORT

Overview

In line with the process originated to establish a new corporate identity, and further to the formulation of the Mission Statement by our employees, THE CREATION OF A NEW IMAGE based on the company's philosophy to promote Malta in the global airport network has subsequently led to the launching of a new company logo which is meant to reflect MIA's future outlook • The concept and design of this logo are the creation of a university student and have resulted thanks to a new cooperation initiated with the University of Malta. This initiative falls very much in line with the company's innovative way of operating and is yet another effort to encourage and promote young local talent. The new logo could be interpreted to represent a runway on a flying path as also various destinations linked at one point. This has been said to reflect a dynamic approach and bright prospects for the company's future operations.

The company's new corporate identity has moreover involved the COMPLETE REVAMPING OF THE MIA WEBSITE which is already one of the most visited sites having registered six million hits in the last calendar year. This new website features more extensive information, not merely pertaining to the company but equally on all airport operations. This is now obtainable in a more easily accessible and user-friendly format. The new website should further enhance our relationship with clients and provide a better service as well as a reliable source of information which should, in turn, increase business at the airport.

003 004

IN THE PAST YEAR, MALTA INTERNATIONAL AIRPORT HAS INTENSIFIED ITS EFFORTS TO UPGRADE SAFETY MEASURES. Besides the regular training courses for staff, the Aerodrome Manual was published to complement the programme. This manual is a complex and detailed document comprising a review of international procedures, the adoption of ICAO recommendations, aviation-related matters, as well as the compilation of relevant rules and regulations. This useful aid is the basis of eventual certification by the Department of Civil Aviation and ensures the protection of the aerodrome licence as issued by the Ministry of Transport & Communications in accordance with the Air Navigation Order of 1990. The main objective of the Aerodrome Manual is to ascertain that the aerodrome and airspace within which its visual pattern is contained are safe for use by aircraft. The document contains all information and procedures necessary to enable aerodrome operating staff to perform their duties in a manner which warrants the aerodrome's safety for use by aircraft passengers and personnel. An Aerodrome Standards Assessment Committee has been set up to oversee the publication of the manual and ensure that the obligatory measures are implemented by all service providers involved in the procedures.

The LIBERALISATION OF GROUND HANDLING SERVICES has incurred the preparation of a tender for interested parties. Ground handling service suppliers were invited to tender for the supply of services in ramp handling, baggage handling, transportation of freight and mail as well as fuelling and defuelling operations. Negotiations have been concluded with Servisair Globeground and it is envisaged that operations will commence in October 2004.

"It is an acknowledged fact that Malta's only natural resource is the zeal and abilities of its people"

Peter R. Bolech - Chief Executive Officer

Further to Malta's accession to the EU, the company embarked on a new project to install A NEW POINT OF SALE SYSTEM for the entire terminal. A total of 45 new machines were purchased with installation of the equipment in the whole departures area having been effected before the 1st of May 2004 deadline. This new system incorporates a function which reads the magnetic strip off the passengers' boarding pass thus determining the price of the item depending on whether the passenger is travelling to an EU destination or otherwise.

A further programme which is underway is the introduction of new high-resolution LCD monitors throughout the terminal. This equipment will enable FLIGHT INFORMATION to be readily available in order to ensure that passengers reach check-in counters or departure gates in time.

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While accounting for 16% of the company's total revenue and in view of changes brought about by EU accession, MIA revitalised the concept of airport concessions. To this end, most of the existing airside outlets were either refurbished or repositioned and new concessions were introduced to add value to airport shopping. A News Kiosk was introduced on the Arrivals side of the public area while the existing one inside the Check-in Hall was refurbished and expanded to incorporate a Bookshop. The main cafeteria was also renovated and enlarged to meet increased demand • The greater part of this embellishment is concentrated within the Departures area. The security checkpoint and immigration were both relocated to create more retailing space and simultaneously improve the passenger flow. Four of the existing outlets were repositioned and five new establishments, consisting of a Wine Bar, a Toy Shop, a Designer Wear Shop, as well as an Original Marines franchise and the Hard Rock Bar, have been opened. The latter is the first-ever of its kind to open its doors on airside in an air terminal. These improvements were introduced to give a better product mix and add value to the area. The new-look led to a new branding concept, AIRPORT VALUE & TAX FREE SHOPPING. All works were executed during the shoulder and lean periods to minimise inconvenience for our passengers. Moreover, these were completed in record time • The whole project was implemented mindful of the fact that any future modifications to the area could be easily undertaken should the need arise given any exigencies imposed by the Schengen Treaty. In this respect, mandatory changes further to Malta's accession to the European Union were limited to alterations at passport control and the customs clearance area, and involved the introduction of dedicated channels for EU citizens and the abolishment of disembarkation procedures • Facilities for the discerning business travellers were also upgraded with the refurbishment of the Business and Executive Lounges. The second phase, currently underway, will provide an enlarged La Valette Executive Lounge with an increased seating capacity, as well as additional facilities and ancillary services. Furthermore, a wireless internet service has been made available from all accessible areas and the provision of the necessary infrastructure has been contracted to the two local mobile telephony service providers in order to ensure quality and optimum connection.

The second phase of the restructuring project, currently underway, will provide an enlarged La Valette Executive Lounge with an increased seating capacity, as well as additional facilities and ancillary services

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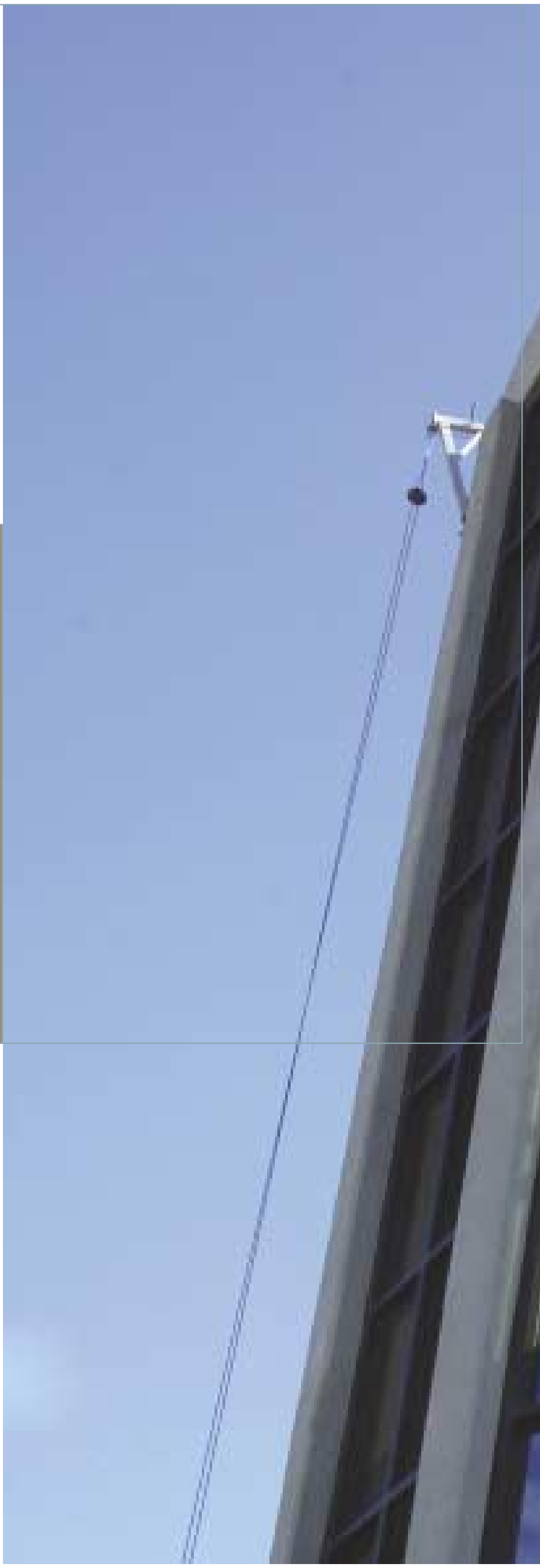

"The harvest beckons, my confidence in the manpower of the company, the willpower of its people, the support of all stakeholders and the trust of our shareholders should ensure that together we will make it happen"

Peter R. Bolech - Chief Executive Officer

Profitbeforetax(Lm)

April 003 - March 004	2,650,593
April 002 - March 003	2,168,213
April 001 - March 002	2,771,960

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Revenue (%)

54.6	PASSENGER SERVICE CHARGE
15.0	CONCESSIONAIRIES' TURNOVER CHARGE
10.4	AIRCRAFT LANDING AND PARKING FEES
7.6	OTHER INCOME
5.1	SECURITY FEES
4.2	GROUND HANDLING CHARGE
3.1	RENT

5.0	MARKETING
9.0	FINANCIAL
17.0	DEPRECIATION
31.0	STAFF
38.0	OPERATIONS

Expenditure (%)

CapitalExpenditure(Lm)

April 003 - March 004	695,984
April 002 - March 003	825,281
April 001 - March 002	2,749,055

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Our high standards can only be maintained with REGULAR UPKEEP OF MIA'S EQUIPMENT, SYSTEMS AND INFRASTRUCTURE. Ongoing preventive maintenance, servicing and refurbishment projects amounted to a capital expenditure of Lm0.5 million during the twelve months under review. The installation of additional CCTV system hardware and a new Access Control system have increased the security measures our airport is renowned for. Further upgrading was carried out also on the runways, service roads and aircraft parking areas to increase the efficiency on airside.

Structural modifications are essential to meet demand but our commitment towards excellence in service is also rooted in the fundamental principle of CUSTOMER CARE. MIA continued its participation in the AERTA monitoring programme endorsed by both the Airports Council International (ACI Europe) and the International Air Transport Association (IATA), thus enabling effective insight on all aspects of passenger needs. AERTA is significantly instrumental to increase awareness on service priorities; to identify areas which require improvement for better customer satisfaction; and to set service level targets; as well as to increase staff motivation. As much as it monitors passenger satisfaction, it is an invaluable benchmark for the levels of service demanded by our clients.

DESIRED LEVELS OF EXCELLENCE CAN ONLY BE ACHIEVED WITH A MOTIVATED AND TRAINED WORKFORCE. To this effect, MIA is investing in the development of its staff and commenced a series of training programmes in customer enthusiasm, mandatory for all employees across the board, with the intent of introducing novel techniques to improve the relationship with clients and meet their expectations. The innovative methods of the programmes are based on an experiential philosophy and participative learning, applying simple concepts to emphasise that motivated employees provide a better service.

Communicating the constant developments and dynamic policies at MIA is essential to succeed in improving the interpersonal relationship with our clients and shareholders

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Communicating the constant developments and dynamic policies at MIA is essential to succeed in improving the interpersonal relationship with our clients and shareholders. The company has therefore streamlined its communications and events sectors into one Division to ensure that MIA's image is portrayed correctly, regularly and effectively. A fresh approach directed to realise the aim of communicating with clients entailed the launching of the new publication *Grip*, THE ON-GROUND MAGAZINE DISTRIBUTED TO INCOMING PASSENGERS. The innovative design, original style and informative content contribute towards the promotion of MIA's profile and portray a good image of the country. *Grip* is a blend of culture, heritage, events, current news and fun. In addition, it provides the incoming tourist with a clearer impression of what Malta and the Maltese are all about as well as what Malta has to offer.

"No doubt, the opening of Malta's historic chapter which sees it as a fully-fletched member of the EU opens new horizons and broadens our outlook to face the new challenges ahead"

Michael Hoeferer - Chairman

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December 2003 marked the 100th anniversary since the Wright Brothers took off with their first-ever flight thus ushering the era of powered aviation. MIA and Air Malta jointly took the initiative to celebrate this anniversary by organising a programme of activities that included a lecture on the history and future of aviation by Dr Herbert Bammer, former Chairman of IATA's Board of Governors, as well as an exhibition set-up in the Check-in Hall. This exhibition included a scale model of the original aircraft used by the Wright Brothers. The mosel was then donated to the Aviation Museum.

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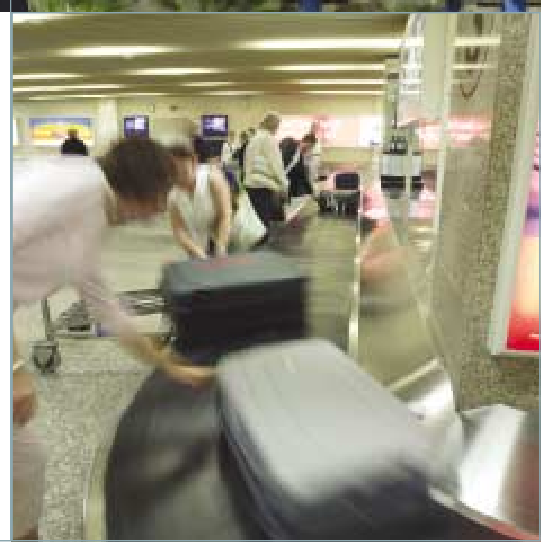
“Our decision to increase the company’s involvement in community projects on the national level has gathered momentum”

Peter R. Bolech - Chief Executive Officer

MIA'S COMMITMENT TO MALTESE SOCIETY was epitomised during the Christmas period when a series of events was organised. The highlight of the programme was the illumination ceremony of a real, eleven-metre Christmas tree. The tree was donated by the Government of Lower Austria and was brought over from Allensteig to Malta with the collaboration of our partners, Vienna International Airport. Another two successful activities were the Christmas Fair and the Christmas Concert. Several teams from Young Enterprise Malta and counterparts from Vienna, together with teams from Scoops, transformed part of the air terminal into a hub of activity by selling an array of original products produced by the students themselves. The concert, featuring acclaimed soprano Lydia Caruana, accompanied by pianist Marco Rivoltini, was held in the mediaeval chapel of Bir Miftuh situated on the outskirts of the air terminal and originally restored with MIA funds • MIA was honoured to hold these activities under the distinguished patronage of the President of Malta. Moreover we endorsed our contribution towards society, particularly those less privileged, by encouraging donations in the course of all the events organised and thereafter doubled the proceeds which were donated to the Malta Community Chest Fund.



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Averagespendperdepartingpassenger
atairportshopsandconcessions (LM)

April 003 - March 004 12.38
April 002 - March 003 12.02
April 001 - March 002 11.08

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