

MALTAPOST p.l.c.

Annual Report and Financial Statements
30 September 2014

	Pages
Directors' report	1 – 4
Statement of compliance with the principles of good corporate governance	5 – 11
Remuneration report	12 – 13
Independent auditor's report	14 – 15
Statement of financial position	16
Income statement	17
Statement of comprehensive income	17
Statement of changes in equity	18 – 19
Statement of cash flows	20
Notes to the financial statements	21 – 50

Directors' report

The Directors present their annual report and the audited financial statements of MaltaPost p.l.c. for the year ended 30 September 2014.

PRINCIPAL ACTIVITIES

The Company is Malta's leading postal services company, being the sole licensed Universal Service Provider of postal service on the Maltese Islands. It is regulated by the Malta Communications Authority and is listed on the Malta Stock Exchange.

REVIEW OF BUSINESS

Profit before tax increased by 37.5 per cent to €2.74 million, resulting in earnings per share of €0.05.

Turnover registered a satisfactory increase notwithstanding that, in line with the global postal market, letter mail volumes remained on a downward trend. Turnover increased by 9.6 per cent over 2013 to €23.72 million. The revision of certain tariffs effective 1 January 2014 contributed towards mitigating the continued decrease in letter mail volumes. This increase was partially offset by higher staff costs, inflationary pressures on operating costs and higher cross-border mail delivery cost. Expenses increased by 6.6 per cent to €21.19 million when compared to the previous year.

The Company continued to focus on cost containment, productivity and efficiency improvement alongside strategic investment in revenue-generating business streams in line with its diversification policy. Our ongoing investment has enabled us to capitalise on consumer trends and to win new national and international business.

RESULTS AND DIVIDENDS

The income statement is set out on page 17. The Directors recommend the payment of a final net dividend of €0.04 per share amounting to €1,411,216 (2013: €1,368,702).

CAPITAL

As at the Annual General Meeting of 15 January 2014, the Authorised Share Capital of the Company was fourteen million euro (€14,000,000) made up of fifty six million (56,000,000) ordinary shares of a nominal value of €0.25 each. The Issued and Fully Paid Up Share Capital was eight million, five hundred fifty four thousand, three hundred eighty seven euro (€8,554,387) made up of thirty four million, two hundred seventeen thousand, five hundred forty nine (34,217,549) ordinary shares of a nominal value of €0.25 each, all of one class.

On 25 January 2014, one million, sixty two thousand, eight hundred sixty one (1,062,861) ordinary shares of €0.25 each were admitted to listing on the Malta Stock Exchange. This addition was in respect of the scrip dividend approved at the last Annual General Meeting. The Issued and Fully Paid Up Share Capital is now therefore made up of thirty five million, two hundred eighty thousand, four hundred and ten (35,280,410) ordinary shares of €0.25 each all of which carry the same voting rights. Equity attributable to shareholders at 30 September 2014 stood at €18.2 million.

Directors' report - continued

BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

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

Joseph Said (Chairman)

David Stellini

Julius Bozzino

Philip Tabone

Aurelio Theuma

In accordance with the Company's Articles of Association, the Directors retire from office at the Annual General Meeting and are eligible for re-election or re-appointment. All Directors except a Managing Director, shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

The composition of Officers and Senior Management is further shown in the section 'Company Information'. Further information is also given in the 'Statement of Compliance with the Principles of Good Corporate Governance'.

DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

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

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

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that 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.

The financial statements of MaltaPost p.l.c. for the year ended 30 September 2014 are included in the Annual Report 2014, which is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 30 September 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

Directors' report - continued

DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS - continued

- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

GOING CONCERN BASIS

After making due enquiries, the Directors have a reasonable expectation, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

LISTING RULES DISCLOSURES

In terms of the Listing Rule 5.64, the Directors are required to disclose the following information:

Amendments to the Memorandum and Articles of Association are effected in conformity with the provisions in the Companies Act, 1995. Furthermore in terms of the Articles of Association of the Company:

- (a) Directors may be authorised by the Company to issue shares subject to the provisions of the Memorandum and Articles of Association and the Companies Act, 1995;
- (b) Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they shall not approve;
- (c) Directors may decline to recognise any instrument of transfer, unless accompanied by the certificate of the shares of which it relates, and/or such other evidence;
- (d) no registration of transfer of shares shall be made and no new particulars shall be entered in the register of members when the register is closed for inspection;
- (e) the Company may, from time to time, by extraordinary resolution reduce the share capital and any share premium account in any manner.

Currently there are no matters that require disclosures in relation to:

- (a) holders of any securities with special rights;
- (b) employee share schemes;
- (c) restrictions on voting rights or relevant agreements thereto;
- (d) agreements pertaining to the change in control of the Company;
- (e) any agreements between the Company and its Directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Directors' report - continued

LISTING RULES DISCLOSURES - continued

The exercise of any share buy back option by the Directors requires the passing of an extraordinary resolution.

The Company's capital structure, direct and indirect shareholding in the Company, in excess of 5% and the rules governing the changes to the Board members are contained in other parts of this Annual Report.

The only shareholder holding 5% or more of the Issued Share Capital of the Company is Redbox Limited which owned 69.7% as at 30 September 2014 and 15 November 2014.

AUDITORS

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

By order of the Board



Joseph Said
Chairman



David Stellini
Director

Registered office
305, Qormi Road,
Marsa, MTP 1001
Malta

9 December 2014

Statement of compliance with the principles of good corporate governance

The Board of Directors of MaltaPost p.l.c. have carried out a review of the Company's compliance with the Code of Principles of Good Corporate Governance (the 'Principles') during the period under review, as specified in Appendix 5.1 to Chapter 5 of the Malta Financial Services Authority Listing Rules. The following report highlights the extent to which the Code has been adopted, as well as the reasons for any departure from the Code.

Although compliance with the Code is not mandatory, the Board of Directors of MaltaPost p.l.c. firmly believes that adoption of the Principles ensures the required standards of accountability, transparency and probity, all of which go to safeguard the very best interests of all the Company's stakeholders.

A. COMPLIANCE WITH THE CODE

PRINCIPLE 1: THE BOARD

The Board of Directors is composed of the Chairman and four (4) Directors, all of whom are non-executive. Three (3) of these Directors are employed with the ultimate parent Company. While the Board of Directors is elected by the shareholders at every Annual General Meeting, the Chairman is elected by the Directors from amongst themselves during the first Board Meeting following the Annual General Meeting.

The main responsibility of the Board is to set the strategic direction of the Company and to provide the necessary oversight to ensure adherence to the agreed strategies.

In so doing the Board delegates certain responsibilities to a number of Board committees, notably the Audit Committee and Remuneration Committee, details of which appear hereunder.

The Directors possess the necessary skills and competencies to enable them to discharge their responsibilities with integrity, honesty, prudence and professionalism.

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The post of Chairman and that of Chief Executive Officer are held by different individuals. The separation of roles is meant to differentiate between the role of the Chairman as the leader of the Board of Directors and that of the Chief Executive Officer who is responsible for the execution of the agreed strategies as well as the day-to-day management of the Company.

PRINCIPLE 3: COMPOSITION OF THE BOARD

The following Directors served on the Board during the period under review:

	First appointment date
Julius Bozzino	8 March 2011
Joseph Said	18 August 2006
David Stellini	1 December 2004
Philip Tabone	30 July 2003
Aurelio Theuma	8 October 2007

**Statement of compliance
with the principles of good corporate governance - continued**

PRINCIPLE 3: COMPOSITION OF THE BOARD - continued

Joseph Said is an Executive Director of the ultimate controlling shareholder, while Julius Bozzino and Aurelio Theuma are employees of the ultimate controlling shareholder. These relationships are not considered necessarily conducive to the creation of a conflict of interest such as to jeopardise exercise of these Directors' free judgement. Both David Stellini and Philip Tabone are considered to be independent Directors of the Company and in determining independence or otherwise, the Board has taken into consideration the relevant Code provisions.

It is considered that the experience, skills and competencies of the members of the Board are sufficient to ensure the proper functioning of the Board.

In terms of Principle 3.4, all the Directors have confirmed in writing that they:

- (a) maintain in all circumstances their independence of analysis, decision and action;
- (b) do not seek or accept any unreasonable advantages that could be considered as compromising their independence;
- (c) clearly express their opposition in the event that they find that a decision of the Board may harm the Company.

PRINCIPLE 4: RESPONSIBILITIES OF THE BOARD

The Board of Directors is responsible for the formulation of the agreed strategy as well as the monitoring of its implementation by management, within the confines of all the applicable rules and regulations.

In so doing, the Board is responsible for:

- (a) devising the appropriate strategies of the Company with a view to maximising value;
- (b) approving Business Plans which are consonant with approved strategies and monitoring the execution of such plans on a regular basis;
- (c) approving Risk Management Plans which are appropriate to the business and monitoring the application of mitigating factors;
- (d) ensuring that internal control systems are in place and function appropriately. Although the relative systems are designed to mitigate all the risks in accordance with best practice, they cannot completely eliminate the possibility of material error or fraud;
- (e) appointing the Company's Executive Officers, monitoring their performance, approving their compensation as well as ensuring that succession plans are in place;
- (f) putting in place a policy to ensure that the Company communicates effectively with shareholders, other stakeholders and the public generally;
- (g) putting in place procedures that the Company and its employees maintain the highest standards of corporate conduct and ethical standards.

**Statement of compliance
with the principles of good corporate governance - continued**

PRINCIPLE 5: BOARD MEETINGS

Eight (8) Board meetings were held during the period under review and attendance by Board members was as follows:

	Attended
Julius Bozzino	8
Joseph Said	8
David Stellini	7
Philip Tabone	8
Aurelio Theuma	8

Both strategic and operational issues are featured in the agenda of Board meetings and the appropriate supporting papers are circulated to each Board member well ahead of the meeting to ensure adequate time for preparation for deliberation at Board meetings. All Board members are given the opportunity of expressing their opinion on all agenda items. Minutes of all Board meetings are prepared immediately after each meeting and circulated amongst all Board members.

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

While the training of management and staff is an on-going process and for which a fully fledged department has been set up, the Directors are regularly updated with all the relevant information which is considered necessary for the proper discharge of their duties and responsibilities. Furthermore, all Company Directors have direct access to the Company Secretary who is at their disposal and who ensures that the appropriate information flows are maintained at all times. Additionally and in terms of the Company's statute, the Directors are entitled to seek independent professional advice on any aspect of their duties at the Company's expense.

On first joining the Board, each Director is provided with a dossier containing information pertaining to a Director's duties and responsibilities together with relevant legislation including the Malta Financial Services Authority Listing Rules.

PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

The Company Secretary arranged for a 'Board Effectiveness Questionnaire' to be completed by each Board member and the findings were analysed by him in liaison with the Chairman. The questionnaire focused mainly upon the effectiveness of the Board during the period under review.

Statement of compliance with the principles of good corporate governance - continued

PRINCIPLE 8: COMMITTEES

The following committees have been established by the Board of Directors, each having their own Terms of Reference with direct reporting lines to the Board.

AUDIT COMMITTEE

The Listing Rules of the Malta Financial Services Authority provide for the establishment of an Audit Committee, the main functions of which include the monitoring of the financial reporting process, the soundness of the Company's internal control systems as well as the scrutiny and approval of related party transactions in order to ensure that the 'arm's length' principle is observed at all times. The management of the relationship of the external auditors with the Company also falls within the scope of the Audit Committee's Terms of Reference.

The Audit Committee is made up of three (3) Non-Executive Directors, viz David Stellini (Chairman), Aurelio Theuma and Philip Tabone.

In terms of Listing Rule 5.118, Philip Tabone is considered by the Board to be independent given that he is free from any business, family or other relationship with the Company or its management in a manner that may create a conflict of interest such as to impair his judgement. The Company Secretary acts as secretary to the Audit Committee.

During the period under review the Audit Committee met six (6) times with full attendance. While the external auditors are invited to attend, the Head of Internal Audit attends these meetings in terms of Listing Rule 5.131. It is within the discretion of the Audit Committee members to invite any other official of the Company to attend any Committee meeting as they deem fit.

REMUNERATION COMMITTEE

The report by the Remuneration Committee in terms of Code Provision 8.A.4 is presented on pages 12 and 13. The Chief Executive Officer attends the Remuneration Committee meetings when requested to do so and the Company Secretary acts as secretary to this Committee.

PRINCIPLES 9 AND 10: RELATION WITH SHAREHOLDERS AND WITH THE MARKET AND INSTITUTIONAL SHAREHOLDERS

The Company is cognisant of the importance of maintaining effective and on-going dialogue with its shareholders as well as the market generally. It does so by issuing company announcements and press releases from time to time on matters which are considered important and which may affect the Company in any way. The announcement of the half-yearly, as well as the annual results together with the interim Directors' statements are uploaded on the Company's website and that of the Malta Stock Exchange as are all the other company announcements issued.

The Company also communicates with its members through the Annual General Meeting during which shareholders are requested to consider the Annual Report and Accounts, the declaration of a dividend (if any), the election of Directors, Directors' remuneration, the appointment of external auditors and the Board's authorisation to set the auditors' fees. Extraordinary General Meetings are held as and when necessary in conformity with both the Company's statute as well as the Companies Act 1995.

All Directors attend the General Meetings and are available to answer questions if necessary.

A shareholder/s holding not less than 5% in nominal value of all the shares entitled to vote at the General Meeting may request the Company to include items on the agenda of a General Meeting, subject to certain conditions.

**Statement of compliance
with the principles of good corporate governance** - continued

PRINCIPLE 11: CONFLICTS OF INTEREST

While Directors are aware of their duty and responsibility to act in the best interests of the Company at all times, policies and procedures are in place to ensure that Directors effectively manage any conflicts of interest, whether actual or potential, in the best interest of the Company. Specifically the Company's Memorandum and Articles of Association regulate the behaviour of a Director in the event of a potential conflict of interest.

Furthermore, the Company's Code of Conduct for Securities Transactions sets out the obligations of a Director when it comes to dealing in any of the Company's securities.

The Directors' interest in the Share Capital of the Company as at 30 September 2014 was as follows:

	Shares held
Julius Bozzino	2,687 Ordinary Shares
Philip Tabone	7,460 Ordinary Shares
Aurelio Theuma	2,646 Ordinary Shares

Joseph Said, who is a Director of the Company, is also a director of the following companies, which as at 30 September 2014 had the following shareholding in the Company:

	Shares held
Safaco Limited	41,418 Ordinary Shares
First Gemini p.l.c.	33,639 Ordinary Shares

In addition, Joseph Said has a minority shareholding in Safaco Limited.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

Fully conscious of the responsibility towards the society in which it operates, MaltaPost p.l.c. not only encourages healthy and balanced life styles for its employees, but also seeks to promote environment friendly initiatives particularly those which reduce the Company's overall carbon footprint. Significant investment has been made in this area during the period under review and the intention is to continue with this investment.

The Company also encourages and promotes philanthropic initiatives towards disadvantaged groups and the intention is to continue in this direction.

MaltaPost p.l.c., therefore, is not only committed to be in full compliance with its legal obligations in this regard, but to go well beyond this in pursuit of its social obligations.

B. NON-COMPLIANCE WITH THE CODE

**PRINCIPLE 3: COMPOSITION OF THE BOARD (EXECUTIVE/NON-EXECUTIVE DIRECTORS) AND
PRINCIPLE 4: RESPONSIBILITIES OF THE BOARD**

Principle 3 maintains, inter alia, that the Board should be composed of executive and non-executive directors, including independent non-executives. The Board of Directors of MaltaPost p.l.c. is composed entirely of non-executive directors and such composition, though not entirely in conformity with the Code, is not considered as hindering the smooth functioning and effectiveness of the Board.

**Statement of compliance
with the principles of good corporate governance - continued**

B. NON-COMPLIANCE WITH THE CODE - continued

**PRINCIPLE 3: COMPOSITION OF THE BOARD (EXECUTIVE/NON-EXECUTIVE DIRECTORS) AND
PRINCIPLE 4: RESPONSIBILITIES OF THE BOARD - continued**

Code Provision 4.2.7 provides for the development of a succession policy for the future composition of the Board. Given that it is the prerogative of the shareholders of MaltaPost p.l.c. to elect directors to represent them and this in accordance with the Company's Memorandum and Articles of Association, it has not been considered appropriate to develop a succession policy for the future composition of the Board.

PRINCIPLE 8: NOMINATION COMMITTEE

This Principle provides for a Nomination Committee to cater for a formal and transparent procedure for the appointment of new directors to the Board. Such a committee has not been set up given that it is the prerogative of the shareholders of the Company, in accordance with the relative Memorandum and Articles of Association, to appoint directors to the Board.

The Articles of Association of the Company provide that at every General Meeting, five (5) directors are appointed as follows:

- (a) a member of the Company holding, or a number of members, who between them hold, such number of shares having voting rights as may be sufficient to constitute one (1) or more Qualifying Holdings (such number of shares held by a member of the Company amounting to twenty per cent (20%) of the Issued Share Capital of the Company having voting rights) is entitled to appoint one (1) director for every Qualifying Holding held, by letter addressed to the Company Secretary;
- (b) any member who is not entitled to appoint directors in terms of the provisions of paragraph (a) above, or who is not entitled to aggregate his holdings with those of other members for the purposes of appointing a director(s) pursuant thereto, is entitled to participate and vote in an election of directors at the General Meeting of the Company;
- (c) members who avail themselves of appointing directors pursuant to the provisions of paragraph (a) above are still entitled to participate in the election of directors in terms of paragraph (b) provided that in such an election they may only use such shares not otherwise used for the appointment of directors pursuant to paragraph (a).

For an election of directors mentioned in paragraph (b) above, every shareholder entitled to vote thereunder shall be entitled to nominate one (1) person to stand for the election of directors. Such nominee must be seconded by at least such shareholder or shareholders as in aggregate hold at least point five per cent (0.5%) of the Issued Share Capital of the Company between them.

In the event that there are more nominations than there are vacancies, an election amongst such candidates shall take place for the appointment of such number of directors as will fill the vacancies available on the Board. At an election of directors each member shall be required to vote on the ballot paper provided by the Company by putting such number of votes against the name or names of the preferred candidates as such member may determine, provided that in aggregate the number of votes cast cannot exceed the number of shares held by such member.

The candidates obtaining the highest number of votes shall be elected and appointed directors.

**Statement of compliance
with the principles of good corporate governance** - continued

B. NON-COMPLIANCE WITH THE CODE - continued

PRINCIPLE 9: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

Code Provision 9.3 provides for procedures to be in place to resolve conflicts between minority shareholders and controlling shareholders. The Memorandum and Articles of Association of the Company do not provide for a procedure to resolve such conflicts.

C. INTERNAL CONTROL

The Board of Directors have set up the required organisational structures in order to effectively manage and control the operational risks which the Company undertakes in its day to day operations. It is understood that whereas these risks may be mitigated by the adoption of various control systems, such risks cannot be completely eliminated. Therefore, reasonable and not absolute assurances can be given against material losses, error or fraud.

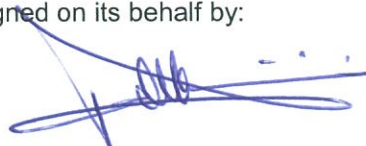
The more important structures which are in place to consolidate the internal control mechanisms are the Internal Audit Department, the Audit Committee as well as the Compliance and Risk Management functions.

The Company's system of internal control includes:

- (a) the Company operates through a Board of Management led by the Chief Executive Officer with clear reporting lines and delegation of authority. Through the Board of Management the Company plans, executes, controls and monitors business operations in order to achieve the set objectives;
- (b) the Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company policies and employee procedures are in place to detect, report and resolve any fraudulent activities or any infringement of the integrity of mail;
- (c) the Board of Management is responsible to identify and evaluate key risks applicable to their areas of business. A member of this same Board assists the Board of Directors to assess the different types of risks identified, to which the Company is exposed. This function also monitors, on an on-going basis, the effective management of the different types of risk at the same time as ensuring that the Company is in full compliance with all the obligations imposed by codes, rules, legislation and statute relevant to the Company as well as its business;
- (d) the Board, through the Audit Committee, receives periodic management reports on Risk Management and Compliance; and
- (e) the Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against the Company's set targets.

Approved by the Board of Directors on 9 December 2014 and signed on its behalf by:


Joseph Said
Chairman


David Stellini
Director

Remuneration report

1. MEMBERSHIP AND TERMS OF REFERENCE

The following non-executive Directors of MaltaPost p.l.c. make up the Remuneration Committee: Messrs. Philip Tabone (Chairman), Julius Bozzino and Aurelio Theuma. The Remuneration Committee is tasked with putting together a Remuneration Policy which ensures that MaltaPost p.l.c. attracts, retains and motivates the appropriate calibre of Directors, Senior Executives and Management in the formulation and execution of the Company's strategies and policies. Furthermore, the Remuneration Committee recommends remuneration packages for all Directors and Senior Management.

2. MEETINGS

During the financial year ended 30 September 2014 the Remuneration Committee met to discuss the following matters:

- (a) Revised contracts of employment for Chief Officers and Managers
- (b) Collective Agreement
- (c) Remuneration Committee – Terms of Reference

3. REMUNERATION POLICY - DIRECTORS

The last Annual General Meeting approved the amount of thirty thousand euro (€30,000) as the aggregate amount by way of Directors' Remuneration.

None of the Directors has any service contracts with the Company, and none is entitled to share options, profit sharing, pension benefits or any other remuneration. It is confirmed that no other fees were payable to any of the Directors during the year under review.

Three (3) of the Directors are employees of the ultimate controlling shareholder of MaltaPost p.l.c.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the total emoluments received by Directors for the financial year 2013/2014 are specified below:

FIXED	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€29,976	None	None	None

Directors' emoluments paid for financial year 2013/2014 were as follows:

Joseph Said	€ 13,976
Julius Bozzino	€ 4,000
David Stellini	€ 4,000
Philip Tabone	€ 4,000
Aurelio Theuma	€ 4,000
Total	€ 29,976

Remuneration report - continued

4. REMUNERATION POLICY - SENIOR EXECUTIVES

All references to 'Senior Executives' in this report refer specifically to the Chief Executive Officer and the Chief Officers of MaltaPost p.l.c.

It falls within the Terms of Reference of the Remuneration Committee to recommend to the Board of Directors the appropriate remuneration packages for Senior Executives. In so doing the Committee is mindful of the need to attract, retain and motivate Senior Executives with the qualities and attributes which enable them to discharge their obligations professionally and with utmost integrity. The Remuneration Committee also seeks to maintain a sense of fairness and consistency in its recommendations. In this connection it is to be mentioned that there were no material changes to the remuneration policy for Senior Executives during the financial year ended 30 September 2014.

The contracts of all Senior Officers specify their remuneration packages, none of which provide for profit sharing or share options, supplementary pensions or other pension benefits. With the exception of one Senior Executive who is on a fixed term contract, all the other Senior Executives are on indefinite contracts of employment.

Annual salary increases may be awarded to Chief Officers but such increases are not directly related to performance. A discretionary annual bonus, however, is payable to the Chief Officers following an assessment of their performance during the previous financial year.

The Board of Directors and Chief Executive Officer agree upon pre-set quantitative and qualitative objectives for the Chief Executive Officer and a discretionary annual bonus is payable to him based on the attainment of these objectives. The Remuneration Committee considers the linkage between the fixed remuneration and the discretionary annual bonus to be appropriate.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the total emoluments received by Senior Executives during the financial year 2013/2014 are as detailed below:

FIXED	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€214,576	€20,000	None	See below*

*Senior Executives are covered by a group life assurance scheme and are entitled to health insurance, communication expenses as well as the use of company car or car allowance.



Independent auditor's report

To the Shareholders of MaltaPost p.l.c.

Report on the Financial Statements for the year ended 30 September 2014

We have audited the financial statements of MaltaPost p.l.c. on pages 16 to 50 which comprise the statement of financial position as at 30 September 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 2, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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:

- give a true and fair view of the financial position of the Company as at 30 September 2014 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

To the Shareholders of MaltaPost p.l.c.

Report on Other Legal and Regulatory Requirements for the year ended 30 September 2014

Report on the statement of compliance with the principles of good corporate governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of 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 throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

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 included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 11 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

We also have responsibilities under:

- The Maltese Companies Act, 1995 to report to you if, in our opinion:
 - The information given in the Directors' report is not consistent with the financial statements.
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
 - We have not received all the information and explanations we require for our audit.
 - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- The Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers

78 Mill Street
Qormi QRM 3101
Malta

Fabio Axisa
Partner

9 December 2014

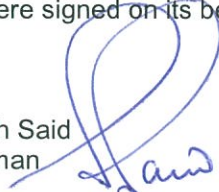
Statement of financial position

	Notes	As at 30 September	
		2014 €'000	2013 €'000 (restated) ¹
ASSETS			
Non-current assets			
Property, plant and equipment	5	11,795	10,320
Available-for-sale financial assets	6	3,282	2,598
Deferred income tax asset	7	335	394
Total non-current assets		15,412	13,312
Current assets			
Inventories	8	653	602
Trade and other receivables	9	6,893	5,319
Current income tax asset		376	513
Available-for-sale financial assets	6	-	465
Deposits with financial institutions	10	1,645	1,500
Cash and cash equivalents	11	5,805	8,714
Total current assets		15,372	17,113
Total assets		30,784	30,425
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	8,820	8,554
Share premium	12	4,310	3,439
Other reserves	13	132	114
Retained earnings		4,956	4,526
Total equity		18,218	16,633
Non-current liabilities			
Provision for liabilities and charges	14	1,592	1,547
Current liabilities			
Trade and other payables	15	10,974	12,245
Total liabilities		12,566	13,792
Total equity and liabilities		30,784	30,425

The notes on pages 21 to 50 are an integral part of these financial statements.

The financial statements on pages 16 to 50 were authorised for issue by the Board on 9 December 2014 and were signed on its behalf by:

Joseph Said
Chairman



David Stellini
Director



¹ The comparative financial information has been restated upon adoption of IAS 19 (revised 2011) 'Employee benefits', as explained in Note 1.1 to the financial statements.

Income statement

	Notes	Year ended 30 September	
		2014 €'000	2013 €'000 (restated) ¹
Revenue	16	23,723	21,638
Employee benefits expense	18	(11,314)	(10,952)
Depreciation and amortisation expense	17	(723)	(956)
Other expenses	17	(9,156)	(7,972)
Operating profit		2,530	1,758
Finance income	19	206	231
Profit before tax		2,736	1,989
Tax expense	20	(937)	(692)
Profit for the year		1,799	1,297
Earnings per share	22	€0.05	€0.04

Statement of comprehensive income

	Note	Year ended 30 September	
		2014 €'000	2013 €'000 (restated) ¹
Comprehensive income			
Profit for the year		1,799	1,297
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Available-for-sale financial assets:			
Gains from changes in fair value	13	151	39
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligations	13	(133)	(39)
Total other comprehensive income for the year		18	-
Total comprehensive income for the year		1,817	1,297

The notes on pages 21 to 50 are an integral part of these financial statements.

¹ The comparative financial information has been restated upon adoption of IAS 19 (revised 2011) 'Employee benefits', as explained in Note 1.1 to the financial statements.

Statement of changes in equity

		Attributable to equity shareholders				
	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 October 2012						
- As previously reported		8,172	2,752	94	4,557	15,575
- Effect of change in accounting policy upon adoption of IAS 19 (revised) ¹	26		-	20	(20)	-
- As restated ¹		8,172	2,752	114	4,537	15,575
Comprehensive income						
Profit for the year (restated) ¹		-	-	-	1,297	1,297
Other comprehensive income (restated)¹						
Available-for-sale financial assets:						
Gains from changes in fair value	13	-	-	39	-	39
Remeasurements of defined benefit obligations	14	-	-	(39)	-	(39)
Total other comprehensive income (restated) ¹		-	-	-	-	-
Total comprehensive income (restated) ¹		-	-	-	1,297	1,297
Transactions with owners						
Allotment of shares	12	382	687	-	-	1,069
Dividends	23	-	-	-	(1,308)	(1,308)
Total transactions with owners		382	687	-	(1,308)	(239)
Balance at 30 September 2013 (restated)¹		8,554	3,439	114	4,526	16,633

Statement of changes in equity - continued

	Notes	Attributable to equity shareholders				Total €'000
		Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	
Balance at 1 October 2013 (restated) ¹		8,554	3,439	114	4,526	16,633
Comprehensive income						
Profit for the year		-	-	-	1,799	1,799
Other comprehensive income						
Available-for-sale financial assets:						
Gains from changes in fair value	13	-	-	151	-	151
Remeasurements of defined benefit obligations	14	-	-	(133)	-	(133)
Total other comprehensive income		-	-	18	-	18
Total comprehensive income		-	-	18	1,799	1,817
Transactions with owners						
Allotment of shares	12	266	871	-	-	1,137
Dividends	23	-	-	-	(1,369)	(1,369)
Total transactions with owners		266	871	-	(1,369)	(232)
Balance at 30 September 2014		8,820	4,310	132	4,956	18,218

The notes on pages 21 to 50 are an integral part of these financial statements.

¹ The comparative financial information has been restated upon adoption of IAS 19 (revised 2011) 'Employee benefits', as explained in Note 1.1 to the financial statements.

Statement of cash flows

	Year ended 30 September	
	2014 €'000	2013 €'000
Cash flows from operating activities		
Cash from customers	22,440	22,104
Cash paid to suppliers and employees	(20,762)	(18,974)
Cash flows attributable to funds collected on behalf of third parties	(1,768)	(306)
	(90)	2,824
Cash from operating activities	(90)	2,824
Income tax paid	(743)	(409)
Net cash (used in)/generated from operating activities	(833)	2,415
Cash flows from investing activities		
Finance income	212	229
Purchase of property, plant and equipment	(1,866)	(1,098)
Purchase of financial assets	(638)	(640)
Proceeds from disposals/redemptions of financial assets	578	411
Placement of deposits with financial institutions	(145)	(1,500)
Proceeds from maturity of deposits with financial institutions	-	3,000
Net cash (used in)/generated from investing activities	(1,859)	402
Cash flows from financing activities		
Dividends paid	(217)	(236)
Net cash used in financing activities	(217)	(236)
Net movement in cash and cash equivalents	(2,909)	2,581
Cash and cash equivalents at beginning of year	8,714	6,133
Cash and cash equivalents at end of year	5,805	8,714

The notes on pages 21 to 50 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the requirements of the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention, as modified by the fair valuation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published standards effective in 2014

In 2014, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 October 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, with the exception of IAS 19 (revised 2011) 'Employee benefits', did not result in changes to the Company's accounting policies.

IAS 19 (revised 2011) amended the accounting for post-employment employee benefits. The Company was required to apply the revised standard retrospectively in accordance with the transition provisions of the standard. The impact has been in the following principal areas:

- (1) Under the revised standard, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These were charged or credited to profit or loss in the period in which they arose under the Company's previous accounting policy.
- (2) Past-service costs are recognised immediately in profit or loss. Under the Company's preceding accounting policy, past-service costs were recognised immediately in profit or loss, unless the employee was not yet unconditionally eligible to receive pension benefits (the vesting period), in which case the past-service costs were amortised on a straight-line basis over the vesting period.
- (3) The revised standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets as separate components with a net interest cost based on the net defined benefit asset/liability and the discount rate measured at the beginning of the year.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2014 - continued

- (4) The revised standard introduced the term of 'remeasurements', which consist of actuarial gains and losses together with the difference between actual investment returns and the return implied by the net interest cost referred to above. Remeasurements are recognised in other comprehensive income.

The impact of the resultant change in accounting policy attributable to adoption of IAS 19 (revised 2011) is disclosed in Note 26 to the financial statements. The key impact on the Company is the revised accounting treatment of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Company's accounting periods beginning after 1 October 2013. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application, except as disclosed below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation - continued

(b) Transactions and balances

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

1.3 Property, plant and equipment

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

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

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

	%	
Buildings	1	
Furniture and fittings	15	
Equipment	20 – 25	
Motor vehicles	25	
 Improvements to premises:		
Property leased out from Government	Up to 2028	
Property leased out from other third parties	Over the period of the lease agreements	
MaltaPost p.l.c. owned properties	Over 15 years	

Assets in the course of construction and archives are not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.4 Intangible assets

Intangible assets are shown at historical cost. Intangible assets have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful life. Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the assets to its estimated recoverable amount.

1.5 Financial assets

1.5.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months (or the normal operating cycle of the business if longer) after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables principally comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.8 and 1.9).

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. They are included in non-current assets unless the investment matures or Management intends to dispose of the investment within twelve months of the end of the reporting period.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are reflected and presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Company's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified to profit or loss as a reclassification adjustment.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within 'finance income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.3 Impairment

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

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1. Summary of significant accounting policies - continued

1.6 Impairment of non-financial assets - continued

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of postal stationery and inventories for resale is determined by a weighted average basis, and other inventory items by a first-in first-out method. The cost of inventories comprises the invoiced value of goods sold and in general includes transport and handling costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.8 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.10 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. When shares are issued at a premium, the difference between the proceeds and the share's par value is recognised in a share premium reserve.

1. Summary of significant accounting policies - continued

1.11 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss; all other financial liabilities are classified as 'Other liabilities' under IAS 39.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss. Other financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These other liabilities are subsequently measured at amortised cost.

The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

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

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

1.13 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

1.14 Offsetting financial instruments

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

1.15 Current and deferred tax

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

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax - continued

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

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

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

1.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Company provides for the obligation arising in terms of Article 8A of the Pensions Ordinance, Cap 93 of the laws of Malta, covering those ex-Government employees who opted to become full-time employees of the Company, and who continued to be entitled to pension rights which go beyond the National Insurance Scheme.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. A defined benefit obligation is calculated annually using the projected unit credit method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of Government bonds that have terms to maturity approximating to the terms of the related pension liability.

Subsequent to adoption of the revised standard IAS 19, under the revised accounting policy actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These were charged or credited to profit or loss in the period in which they arose under the Company's previous accounting policy. Past-service costs are recognised immediately in profit or loss. Under the Company's preceding accounting policy, past-service costs were recognised immediately in profit or loss, unless the employee was not yet unconditionally eligible to receive benefits (the vesting period), in which case the past-service costs were amortised on a straight-line basis over the vesting period.

1. Summary of significant accounting policies - continued

1.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of sales taxes and discounts and is included in the financial statements as revenue. It comprises revenue directly received from customers, commissions earned on postal and non-postal transactions and income from foreign outbound mail receivable from foreign postal administrators. Revenue is recognised as follows:

- (a) income from sale of stamps, commissions earned on postal and non-postal transactions and from foreign inbound mail is recognised when the service is rendered. Allowance is made for the assessed amount of revenue from prepaid product sales at the reporting date for which the service has not yet been provided.

Other income is recognised as follows:

- (a) finance income is recognised as it accrues on a time proportion basis using the effective interest method, unless collectability is in doubt;
- (b) dividend income is recognised when the right to receive payment is established.

1.18 Government grants

Grants from Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1.19 Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.20 Dividends

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

1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

1. Summary of significant accounting policies - continued

1.22 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising primarily from the Company's sales and purchases attributable to its postal activities, a part of which are denominated in UK pound, US dollar and SDR.

The table below summarises the Company's main exposure to foreign currencies analysing the exposure of assets and liabilities by foreign currency, focusing on invoiced amounts:

SDR	2014 €'000	2013 €'000
<i>Financial assets</i>		
Trade receivables	2,321	767
<i>Financial liabilities</i>		
Trade payables	(653)	(1,361)
 Net exposure to foreign currency risk	 1,668	 (594)

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

Management does not deem the Company's exposure to foreign currencies to be significant. Accordingly, foreign exchange risk is not considered material, taking cognisance of exchange differences on the net financial position exposures. A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting periods is not deemed necessary since the Directors are of the opinion that the net impact would be insignificant. Also foreign exchange risk attributable to future transactions is not deemed to be significant.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises principally from term deposits, fixed income debt securities and cash and cash equivalents. Assets earning interest at variable rates expose the Company to cash flow interest rate risk whereas assets earning interest at fixed rates expose the Company to fair value interest rate risk.

The Company's available-for-sale financial assets consist principally of corporate and Government debt securities which are carried at fair value.

Management does not consider cash flow and fair value interest rate risk to be significant in view of the nature and terms of the instruments highlighted above. Accordingly, a sensitivity analysis for this risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, financial investments, as well as credit exposures to customers, focusing on invoiced amounts, including outstanding receivables and committed transactions. The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 €'000	2013 €'000
Available-for-sale financial assets - debt securities (Note 6)	3,282	3,063
Loans and receivables:		
Trade and other receivables (Note 9)	6,893	5,319
Deposits with financial institutions (Note 10)	1,645	1,500
Cash and cash equivalents (Note 11)	5,805	8,714
	17,625	18,596

The maximum exposure to credit risk at the reporting date as reflected by the carrying amount of financial investments, credit exposures to customers and cash and cash equivalents is disclosed in the table above and the respective notes to the financial statements.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Company assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are effected in cash. The Company monitors the performance of its financial assets on a regular basis to identify incurred collection losses which are inherent in the Company's receivables taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Company's standard payment and service delivery terms and conditions are offered. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

The Company's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

The Company banks solely with high quality financial institutions. The Company's financial investments comprise listed debt securities issued by Government and corporates. Accordingly, credit risk is not considered material in respect of these financial assets.

As at 30 September 2014 the Company was exposed to concentration of credit risk with 28% of its trade receivables being attributable to two postal administrators. The Company assesses the credit quality of these administrators by taking into account financial position, performance and other factors. No losses from non-performance or default are expected in this respect.

As at 30 September 2014, the Company had trade receivables amounting to €3,901,268 (2013: €3,212,000) which were fully performing whilst trade receivables amounting to €460,570 (2013: €559,099) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of default. Trade receivables amounting to €209,553 (2013: €218,309) were overdue by three months, whereas €251,017 (2013: €340,790) were overdue by nine months.

Impairment losses

The Company had impairment provisions amounting to €180,348 (2013: €171,310) at year end in respect of trade receivables that were overdue. These amounts are not expected to be recovered. As disclosed above, other overdue trade receivables amounted to €460,570 (2013: €559,099) but were not impaired. All other trade receivables reflect current balances.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The movement for impairment in respect of trade receivables during the year was as follows:

	2014	2013
	€'000	€'000
At 1 October	171	93
Increase in provision	9	78
At 30 September	180	171

The Company does not hold collateral as security in respect of all its financial assets.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables (Note 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate financing facilities are in place for the coming year. The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements, where deemed applicable.

The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the Company's borrowing facilities that it can access to meet liquidity needs. The Company's trade and other payables are entirely repayable within one year from the end of the reporting period.

2.2 Capital risk management

Capital is managed by reference to the level of the Company's equity and borrowings or debt as disclosed in the financial statements of the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the Directors.

2. Financial risk management - continued

2.3 Fair values of financial instruments

In accordance with IFRS 7, for financial instruments that are measured in the statement of financial position at fair value, disclosure of fair value measurements by level of the following fair value measurement hierarchy is required:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	
	2014	2013
	€'000	€'000
Assets		
Available-for-sale financial assets		
- Debt securities	3,282	3,063

The fair value of the Company's available-for-sale financial assets which are traded in active markets, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the entity is the current bid price.

The carrying amounts of cash and cash equivalents, term placements, receivables (net of impairment provisions) and payables are assumed to approximate their fair values in view of the short term nature of the instruments.

3. Critical accounting estimates and judgements

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

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

4. Intangible asset

	Postal licence €'000
At 1 October 2012	
Cost	1,159
Accumulated amortisation	(1,114)
Net book amount	45
Year ended 30 September 2013	
Opening net book amount	45
Amortisation charge	(45)
Expiration of licence	(1,159)
Amortisation released on expiration of licence	1,159
Closing net book amount	-
At 30 September 2013	
Cost	-
Accumulated amortisation	-
Net book amount	-

The intangible asset represented the amount paid for the right to operate the postal services in Malta. This right had a useful life of 15 years and was amortised over this definite period.

The European Postal Directive as amended by Directive 2008/06/EC, adopted on 20 February 2008, identified 31 December 2012 as the final step in the gradual opening of Malta's postal markets to competition – referred to as full market opening of the postal sector. On 1 November 2012 the Malta Communications Authority issued its decision to grant a new licence to MaltaPost p.l.c. for an indefinite period. This new licence was granted to the Company with effect from 1 May 2013.

5. Property, plant and equipment

	Land, buildings and improvements to premises €'000	Furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
At 1 October 2012					
Cost	11,582	2,067	4,392	118	18,159
Accumulated depreciation	(3,324)	(1,242)	(3,391)	(39)	(7,996)
Net book amount	8,258	825	1,001	79	10,163
Year ended 30 September 2013					
Opening net book amount	8,258	825	1,001	79	10,163
Additions	635	34	375	24	1,068
Depreciation	(293)	(92)	(516)	(10)	(911)
Closing net book amount	8,600	767	860	93	10,320
At 30 September 2013					
Cost	12,217	2,101	4,767	142	19,227
Accumulated depreciation	(3,617)	(1,334)	(3,907)	(49)	(8,907)
Net book amount	8,600	767	860	93	10,320
Year ended 30 September 2014					
Opening net book amount	8,600	767	860	93	10,320
Additions	1,524	394	268	12	2,198
Depreciation	(206)	(102)	(381)	(34)	(723)
Closing net book amount	9,918	1,059	747	71	11,795
At 30 September 2014					
Cost	13,741	2,495	5,035	154	21,425
Accumulated depreciation	(3,823)	(1,436)	(4,288)	(83)	(9,630)
Net book amount	9,918	1,059	747	71	11,795

6. Available-for-sale financial assets

Financial instruments, other than loans and receivables, are summarised in the table below:

	2014 €'000	2013 €'000
Available-for-sale:		
Non-current	3,282	2,598
Current	-	465
<hr/>		
<i>Financial assets classified as available-for-sale:</i>		
	2014 €'000	2013 €'000
Year ended 30 September		
Opening carrying amount	3,063	2,797
Additions	638	403
Disposals/redemptions	(578)	(173)
Net fair value movements (Note 13)	151	39
Amortisation (Note 19)	8	(3)
	<hr/>	
Closing carrying amount	3,282	3,063
	<hr/>	
At 30 September		
Cost	3,004	2,944
Accumulated fair value gains	284	133
Amortisation	(6)	(14)
	<hr/>	
Carrying amount	3,282	3,063
	<hr/>	

Available-for-sale financial assets consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 3% to 7% (2013: 3% to 7%). The weighted average effective interest rate as at 30 September 2014 was 5.1% (2013: 5.5%).

As at 30 September 2014, available-for-sale financial assets amounting to €400,932 were held as security against third party balances.

7. Deferred income tax asset

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 35%.

	2014 €'000	2013 €'000
At beginning of year	394	388
(Charged)/credited to profit or loss (Note 20)	(59)	6
	<hr/>	
At end of year	335	394
	<hr/>	

7. Deferred income tax asset - continued

The balance at 30 September represents temporary differences arising on:

	2014 €'000	2013 €'000
Property, plant and equipment	292	356
Provisions	99	94
Other	(56)	(56)
At end of year	335	394

Deferred income tax is principally composed of deferred income tax assets and liabilities which are to be recovered and settled after more than twelve months.

8. Inventories

	2014 €'000	2013 €'000
Stamps and postal stationery	266	290
Inventories for resale	146	149
Other inventory items	241	163
	653	602

The cost of inventories recognised as expense is appropriately disclosed in Note 17 to the financial statements. There were no inventory write-downs during the current and preceding financial year.

9. Trade and other receivables

	2014 €'000	2013 €'000
Current		
Trade receivables – gross	4,362	4,108
Provisions for impairment	(180)	(171)
Trade receivables – net	4,182	3,937
Prepayments and accrued income	2,711	1,382
	6,893	5,319

The Company's exposure to credit and currency risks together with impairment losses relating to trade and other receivables are disclosed in Note 2.

10. Deposits with financial institutions

	2014 €'000	2013 €'000
Term placements	1,645	1,500

Deposits with financial institutions comprise placements with a maturity of more than three months but less than one year.

11. Cash and cash equivalents

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

	2014 €'000	2013 €'000
Cash and balances with banks	5,805	8,714

Cash and cash equivalents as at 30 September 2014 and 2013 include amounts collected on behalf of third parties (Note 15).

12. Share capital

	2014 €'000	2013 €'000
Authorised		
56,000,000 ordinary shares of €0.25 each	14,000	14,000
Issued and fully paid up		
35,280,410 (2013: 34,217,549) ordinary shares of €0.25 each	8,820	8,554

By virtue of a resolution dated 10 January 2013 the Company's Directors approved the allotment of 1,528,949 ordinary shares of €0.25 each at a premium of €0.45 each (Note 23) as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 34,217,549 shares of €0.25 each, resulting in a paid up share capital of €8,554,387.

By virtue of a resolution dated 6 December 2013 the Company's Directors approved the allotment of 1,062,861 ordinary shares of €0.25 each at a premium of €0.82 each (Note 23) as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 35,280,410 shares of €0.25 each, resulting in a paid up share capital of €8,820,102.

Utilisation of the share premium account is governed by the requirements of Article 114 within the Companies' Act, Cap 386 of the laws of Malta.

13. Other reserves

	Fair value reserve €'000	Other reserve €'000	Total €'000
At 1 October 2012			
- As previously reported	94	-	94
- Effect of change in accounting policy upon adoption of IAS 19 (revised)	-	20	20
- As restated	94	20	114
Available-for-sale financial assets:			
Gains from changes in fair value (Note 6)	39	-	39
Remeasurements of defined benefit obligations (Notes 14, 26)	-	(39)	(39)
At 30 September 2013 (restated)	133	(19)	114
At 1 October 2013 (restated)	133	(19)	114
Available-for-sale financial assets:			
Gains from changes in fair value (Note 6)	151	-	151
Remeasurements of defined benefit obligations (Note 14)	-	(133)	(133)
At 30 September 2014	284	(152)	132

Fair value reserve

The fair value reserve represents changes in fair value of available-for-sale financial assets which are unrealised at financial reporting date. Upon disposal, realised fair value gains are reclassified to profit or loss as a reclassification adjustment.

Other reserve

Subsequent to the change in accounting policy upon adoption of IAS19 (revised), the other reserve reflects the impact of actuarial gains and losses recognised in other comprehensive income in accordance with the Company's revised accounting policy. The effect of the change in accounting policy as at 1 October 2012 upon restatement has been reflected in the other reserve.

14. Provision for liabilities and charges

The Company provides for the obligation arising in terms of Article 8A of the Pensions Ordinance, Cap 93 of the laws of Malta, covering those ex-Government employees who opted to become full-time employees of the Company, and who continued to be entitled to pension rights which go beyond the National Insurance Scheme. The related scheme is a final salary defined benefit plan and is unfunded.

The amount recognised in the statement of financial position is as follows:

	2014 €'000	2013 €'000
Present value of unfunded obligation	2,904	2,722
Crystallised obligation	(613)	(476)
Fair value of obligation to be reimbursed by Government	(699)	(699)
Provision reflected in financial statements	<u>1,592</u>	<u>1,547</u>

The provision is principally non-current in nature.

The movement for the year is made up of:

	2014 €'000	2013 €'000 (restated)
Charge to profit or loss	(49)	(64)
Charge to other comprehensive income (Note 13)	(133)	(39)
Crystallised obligation	137	59
	<u>(45)</u>	<u>(44)</u>

The amount recognised in profit or loss within 'employee benefits expense' is as follows:

	2014 €'000	2013 €'000 (restated)
Interest cost	<u>(49)</u>	<u>(64)</u>

The amount recognised in other comprehensive income is as follows:

	2014 €'000	2013 €'000 (restated)
Net actuarial losses – attributable to financial assumptions	<u>(133)</u>	<u>(39)</u>

14. Provision for liabilities and charges - continued

In computing the provision, the Company used a discount rate of 3.03% (2013: 4.09%), whereas the future salary increases were based on inflation rates and past salary increases. Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 80 depending on age and gender of the beneficiaries.

These factors are deemed to be the key assumptions used in the computation of the liability. The sensitivity of the obligation to changes in the key assumptions is considered immaterial for disclosure purposes.

15. Trade and other payables

	2014 €'000	2013 €'000
Current		
Trade payables	2,557	2,263
Advance payments effected by postal administrators	-	809
Amounts collected on behalf of third parties (Note 11)	2,319	4,177
Other payables	715	545
Indirect taxes and social security	205	440
Accruals and deferred income	5,178	4,011
	10,974	12,245

The Company's exposures to currency and liquidity risks relating to trade and other payables are disclosed in Note 2.

16. Revenue

Revenue is analysed as follows:

	2014 €'000	2013 €'000
By activity		
Postal	21,313	19,142
Philatelic	434	414
Other	1,976	2,082
	23,723	21,638
 By geographical segments		
Local	20,267	19,074
International	3,456	2,564
	23,723	21,638

The Company primarily operates in one segment, that comprises the provision of postal and related retail services to customers, which activities are substantially subject to the same risks and returns. Accordingly, the presentation of segment information as required by IFRS 8, Operating segments, within these financial statements is not deemed applicable.

17. Expenses by nature

	2014 €'000	2013 €'000 (restated)
Employee benefits expense (Note 18)	11,314	10,952
Amortisation (Note 4)	-	45
Depreciation (Note 5)	723	911
Foreign outbound mail	3,992	2,997
Property operating lease rentals	213	187
Repairs and maintenance	285	274
Differences on exchange	(85)	10
Movement in provision for impairment of receivables (Note 9)	9	78
Production costs	171	249
Other expenses	4,571	4,177
	21,193	19,880

Fees for work carried out by the external auditor were as follows:

	2014 €'000	2013 €'000
Annual statutory audit	25	18
Other assurance services	14	11
Tax advisory and compliance services	8	2
Other non-audit services	-	14
	47	45

18. Employee benefits expense

	2014 €'000	2013 €'000 (restated)
Wages and salaries	10,151	9,773
Other staff costs	274	287
Movement in provision for liabilities and charges (Note 14)	49	64
Social security costs	840	828
	11,314	10,952

18. Employee benefits expense - continued

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

	2014	2013
Operational	578	573
Management	25	26
	603	599

19. Finance income

	2014 €'000	2013 €'000
Bank and other interest	27	75
Debt securities:		
- Coupon interest	171	159
- Discount/premium amortisation (Note 6)	8	(3)
	206	231

20. Tax expense

	2014 €'000	2013 €'000
Current tax expense	878	698
Deferred tax charge/(credit) (Note 7)	59	(6)
Tax expense	937	692

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

	2014 €'000	2013 €'000 (restated)
Profit before tax	2,736	1,989
Tax at 35%	958	696
Tax effect of:		
Income taxed at different rates	(38)	(41)
Other differences	17	37
Tax expense	937	692

21. Directors' emoluments

	2014 €'000	2013 €'000
Directors' fees	29	23

The Company paid insurance premia of €6,338 (2013: €4,375) during the year, in respect of professional indemnity in favour of its Directors.

22. Earnings per share

Earnings per share is based on the profit for the year attributable to the equity holders of MaltaPost p.l.c. divided by the weighted average number of ordinary shares in issue and ranking for dividend during the year.

	2014	2013 (restated)
Profit attributable to equity holders (€'000)	1,799	1,297
Weighted average number of ordinary shares in issue (thousands)	34,940	33,765
Earnings per share (basic and diluted)	€0.05	€0.04

23. Dividends

	2014 €'000	2013 €'000
Dividend on ordinary shares	1,369	1,308
€ per share (net)	€0.04	€0.04

At the forthcoming Annual General Meeting, a final net dividend of €0.04 in respect of the financial year ended 30 September 2014 is to be proposed. These financial statements do not reflect this final dividend of €1,411,216 which, subject to approval by the shareholders at the forthcoming Annual General Meeting, will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2015.

24. Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2014 €'000	2013 €'000
Current		
Within 1 year	138	172
Non-current		
Between 1 and 2 years	136	148
Between 2 and 5 years	252	386
After 5 years	-	55
	526	761

The Company is also committed to pay an annual licence fee of ¾% of its total gross revenue from postal services within the scope of the universal services.

25. Related party transactions

Redbox Limited, the Company's immediate parent, is a subsidiary of Lombard Bank Malta p.l.c. All entities that control or are controlled by Lombard Bank Malta p.l.c. are considered by the Directors to be related parties.

The sale of stamps to these entities is made directly or indirectly by the Company in the normal course of business at arm's length prices and is included with revenue. Disclosure of these amounts, which would not be material, is not deemed necessary for the purpose of understanding the Company's financial results or its financial position.

In addition the following transactions were carried out by the Company with Lombard Bank Malta p.l.c.:

	2014 €'000	2013 €'000
Bank interest receivable	37	6
Purchases of goods and services	153	140

There were no year end balances owed by/to related parties, arising principally from the above transactions.

Cash and cash equivalents include:

	2014 €'000	2013 €'000
Bank balances held with related parties	3,298	4,479

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 21.

26. Impact of change in accounting policy

The Company has adopted IAS 19 (revised) 'Employee benefits', which amended the accounting for post-employment employee benefits. The Company was required to apply the revised standard retrospectively in accordance with the transition provisions of the standard. The impact, reflected in the tables below, is mainly in relation to the revised treatment of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, which are charged or credited to equity in other comprehensive income in the period in which they arise under IAS 19 (revised). These were charged or credited to profit or loss in the period in which they arose under the Company's previous accounting policy.

The tables below reflect the effects of the change in accounting policy and the retrospective restatement on the financial statement line items impacted. The effects on the statements of comprehensive income and of changes in equity are reflected in the statements. The impact of adoption of IAS 19 (revised) on earnings per share is deemed to be insignificant.

The Company has applied an accounting policy retrospectively in this respect and accordingly a third statement of financial position as at the beginning of the preceding period presented is required. However, the retrospective change in policy does not have a significant effect on this earliest statement of financial position as the restatement consists of a reclassification from retained earnings to the other reserves. Hence the presentation of a third statement of financial position was not deemed necessary.

Statement of financial position

	At 30 September 2014		At 30 September 2013		At 1 October 2012	
	Prior to effects of change in accounting policy €000	Effects of adoption of IAS 19 (revised) €000	As previously reported €000	Effects of adoption of IAS 19 (revised) €000	As previously reported €000	Effects of adoption of IAS 19 (revised) €000
EQUITY						
Other reserves	284	(152)	133	(19)	94	20
Retained earnings	4,804	152	4,507	19	4,557	(20)
		132		114		114
		4,956		4,526		4,537

26. Impact of change in accounting policy - continued

	Year ended 30 September 2014		Year ended 30 September 2013	
	Prior to effects of change in accounting policy €000	Effects of adoption of IAS 19 (revised) €000	As previously reported €000	Effects of adoption of IAS 19 (revised) €000
Income Statement				
Employee benefits expense	11,447	(133)	10,991	(39)
				As restated €000
				10,952
Statement of comprehensive income				
Other comprehensive income:				
Remeasurements of defined benefit obligations	-	133	-	39

27. Statutory information

MaltaPost p.l.c. is a limited liability Company and is incorporated in Malta.

Detailed accounts

	Pages
Income statement	52
Employee benefits expense	53
Other expenses	54

Income statement

	Year ended 30 September	
	2014 €'000	2013 €'000 (restated)
Revenue	23,723	21,638
Employee benefits expense (page 53)	(11,314)	(10,952)
Depreciation and amortisation	(723)	(956)
Other expenses:		
Direct mail costs (page 54)	(5,586)	(4,550)
Cost of goods sold (page 54)	(842)	(818)
Other overhead costs (page 54)	(2,728)	(2,604)
Operating profit	2,530	1,758
Finance income	206	231
Profit before tax	2,736	1,989

Employee benefits expense

	Year ended 30 September	
	2014 €'000	2013 €'000 (restated)
Wages and salaries	10,517	10,385
Overtime	451	396
Directors' fees and emoluments	29	23
Staff training	42	36
Uniforms and safety equipment	170	54
Unconsumed leave	29	(22)
Other staffing costs	28	26
Subcontracted labour costs	48	54
Employee benefits expense (page 52)	11,314	10,952

Other expenses

Year ended 30 September

	2014 €'000	2013 €'000
Direct mail costs		
Foreign outbound mail	3,992	2,997
Conveyance costs	658	621
Compensation for loss of registered items	28	30
Fuel expenses	260	267
Motor vehicle expenses	545	543
Staff travel costs	103	92
Direct mail costs (page 52)	5,586	4,550
Cost of goods sold		
Production costs and cost of goods sold	785	751
Commissions payable	57	67
Cost of goods sold (page 52)	842	818
Other overhead costs		
Rent	213	187
Telecommunication expenses	107	135
Water and electricity	262	246
Operating licence fee	231	180
Advertising and promotion	56	106
Audit fee	25	18
Security services	110	113
Insurance	37	35
Professional fees	505	378
Travelling and entertainment	31	25
Repairs and maintenance	285	274
IT support and other costs	582	488
Increase in provision for impairment of receivables	9	78
Office and other office expenses	360	331
Difference on exchange	(85)	10
Other overhead costs (page 52)	2,728	2,604
Total other expenses	9,156	7,972