MaltaPost p.l.c.

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ANNUAL REPORT
2013

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Chairman's statement to the members

In the financial year ending 30 September 2013 MaltaPost returned a satisfactory performance when taking into consideration that one-off gains registered in the previous financial year were not repeated. These results were achieved in an overall environment characterised by a sluggish economic activity and in a sector that continues to see its core activity, that of letter mail, continue to shrink year on year.

Profit before tax for the financial year amounted to €1.95 million compared to €2.06 million in the previous year. Earnings per Share were maintained at €0.04.

Growth in turnover was partly set off by decreases in revenue from cross border mail mainly as a result of a change in the Universal Postal Union (UPU) fee structure. Operating expenses increased mainly due to higher labour cost and direct operational charges while other overheads were contained.

The decrease in the Return on Equity to 7.6% from 8.5% in 2012 was also partly due to the fact that in the previous year the Company registered an increase in total equity as many shareholders, including Lombard Bank, preferred to take their dividend in shares rather than cash. Shareholders' funds, therefore increased to €16.63 million.

We continued strengthening our operating asset base by the additional purchase of strategically located properties, allowing the Company to further develop and upgrade its branch network which, in turn, provides a better distribution channel for the provision of ancillary lines of business, at the heart of local communities.

Your Board continues to adopt a policy of balancing the Company's medium and long-term needs with shareholders' dividend expectations. It is therefore recommending the payment of a final net dividend of €0.04 per share. Similar to previous years, it is also recommending that shareholders be given the option of receiving their dividend either in new shares or in cash.

As the national postal service provider, we are very aware of our important role as a trusted partner for local businesses as well as by facilitating communications for the general public, even in an age where many electronic alternatives are available.

The funding of the Universal Service Obligation, which requires a high fixed-cost network, remains a critical issue for the Company. Notwithstanding the increase in some postal tariffs earlier in the year, the domestic letter mail activity still operates at a loss. If the extent and levels of the Universal Service are to be maintained, then these need to be suitably remunerated.

The recent tariff proposal by the Malta Communication Authority (MCA) helps, albeit only partially, towards addressing these objectives and should be seen in the light of Malta's postal rates, which remain the lowest in the European Union. Costs will inevitably rise and we are therefore consistently emphasising this reality to the MCA with a view to ensuring that tariffs reflect the real cost of the service provided. Otherwise the Company's ability to maintain its Universal Service obligations in the future may well be jeopardised.

The parcel business maintained a steady growth on the back of the continued popularity of online business. The Company will innovate within its e-commerce offering to extend a varied service and delivery options to meet customers' expectations. We will continue to invest in new and enhanced product offerings while increasing the flexibility of our delivery network to adapt to these changing needs and to provide a high level of customer service.

We are always striving to strike a fair balance between fulfilling our social obligations while providing a realistic return to our shareholders while continuing to offer attractive working conditions to our circa 600 staff members.

Chairman's statement to the members

Your Company has the necessary human, technical and financial resources to ensure that the interests of all stakeholders are safeguarded while continuing to provide the best possible range of services to the community. Consequently, we need to optimise the use of our assets to ensure that our network can accommodate the provision of ancillary lines of business not least that of becoming involved in an insurance activity. We consider diversification of our product and service portfolio to be the most effective response to counter the impact of declining mail volumes in the traditional postal market. This strategy will allow us to continue to fulfill our Universal Service obligations while ensuring that our business partners feel confident in our future prospects; shareholders receive a fair return on their investment and the jobs of our staff remain secured.

A satisfactory financial performance and a high quality of service are the result of a collective and concerted effort of dedicated and competent management and staff. On behalf of the Board, I wish to thank them for their contribution towards achieving these results in what was yet another challenging year. We also thank our customers for their continued confidence in MaltaPost and the business they entrust to us. Sincere thanks are also extended to all of you for the support you have shown in the Company and also to my fellow Directors for their valued contribution and backing throughout the year.

The past years have been challenging and I am sure that, although the coming years are set to present new ones, MaltaPost has the ability to turn these into opportunities.

Joseph Said
Chairman

Chief Executive Officer's Review of operations

Our performance for the financial year ending September 2013 was characterised by the continued rapid evolution of the market and, in particular, by the traditional period of restraint in anticipation of the Malta general elections.

Against this backdrop MaltaPost delivered satisfactory results for the year notwithstanding one-off gains registered in the previous year not being repeated.

REVIEW OF BUSINESS

Profit before Tax decreased by 5.4 per cent to €1.95 million, resulting in Earnings per Share of €0.04.

Turnover increased by 2.5 per cent to €21.64 million over 2012 while expenses increased by 4.2 per cent to €19.92 million when compared to the previous year.

Decreasing traditional mail volumes and the change in inter-operator fees for cross border mail brought about by the Universal Postal Union framework, have again left their mark on the Company's turnover. These were partly alleviated by an increase in certain domestic tariffs and a healthy growth in parcel business resulting from a move towards online shopping.

The domestic and international letter volume registered a decrease of 2.1 per cent and 6.6 per cent respectively over the previous year while volume growth in the parcel and packets business was above 30 per cent.

Postal Revenue represented 87.0 per cent of Total Revenue. Philately contributed 1.9 per cent and the remaining 11.1 per cent of revenue was generated from other non-postal services including bill collection and financial services.

Operating expenses increased mainly as a result of a higher labour cost while other operating costs remained in line with the previous year.

The Company's focus on increased efficiency remains a priority. The cost of the Universal Service is driven by the regulatory obligation of the Company being the designated Universal Postal Service Provider. A key driver of such costs is the volume handled through our network. As technology determines the way people and business communicate, the traditional letter mail volumes will continue to decline, impacting the overall financial sustainability of the Universal Service. The Company considers the recent tariff proposal by the Malta Communications Authority as a very small step in the direction to compensate for this trend.

SERVICE PERFORMANCE LEVELS

Quality of Service results exceeded targets set by both the Malta Communications Authority and the Universal Postal Union. This was acknowledged by the Universal Postal Union through the Silver Level Award in EMS Cooperative Performance. These achievements are the result of a continuous review of the Company's operational processes and improvements to maintain service levels. This is indeed further confirmation of our commitment to customers, which, in turn, is reciprocated by their loyalty.

HUMAN RESOURCES

MaltaPost is one of Malta's largest employers and its workforce is critical to its operations. We firmly believe that an organisation is as good as its staff members and that continuous investment in our staff is an essential ingredient for future success. Career advancement and the continuing development of staff members remain a top priority.

During financial year 2013 we employed a total of 637 (2012: 619) staff members.

PROJECTS

Premises have been secured in Xewkija Industrial Park in Gozo to develop a state-of-the-art document management centre. This facility will house our ancillary services such as physical and electronic archiving, printing and scanning. Refurbishment works are nearing completion and the facility is expected to be inaugurated in early 2014. This initiative is a step forward in facilitating economic growth and sustainable jobs in Gozo.

Chief Executive Officer's Review of operations

A property in St. Paul's Bay has been purchased and another identified in Floriana. Both sites will be used as Post Offices to improve customer reach in the respective areas. A promise of sale agreement was entered into for the property currently used as a Post Office in Hamrun. The upgrade and refurbishment of the Post Office network has continued as planned with the new Sliema Post Office opening in February 2013.

Unfortunately the project to be appointed as an agent for Middlesea Insurance was not concluded. This was through no failing or lack of will from our part. Nevertheless, we shall be actively pursuing this initiative.

CORPORATE SOCIAL RESPONSIBILITY

As a significant Maltese Company, and being the designated Universal Postal Service Provider, MaltaPost is committed to fulfilling its responsibilities to society beyond mere corporate activities. Besides supporting a number of NGOs, the Company also sponsored several social and cultural activities, as well as national sports events.

Steady progress has been made in the creation of The Malta Postal Museum and we are planning to complete this by the end of next year. Our mission is to preserve Malta's postal heritage for future generations and to make it accessible and enjoyable for all.

OUTLOOK

The combined result of e-substitution and e-commerce has significantly impacted the overall financial landscape of postal operators across the globe. MaltaPost is no exception to this and has therefore directed its focus towards cross-border e-commerce by offering exceptional customer service and flexible delivery options. We are working hard to develop alternative product offerings to stay competitive in this fast changing market. This will strengthen our diversification policy and facilitate the creation of ancillary lines of business, not least financial services, document management and hybrid mail. We believe this course of action to be the most effective response to counter the impact of declining traffic volumes in the traditional postal market.

As the Company evolves and adapts to a changing technological environment and preferences of its customers through product and service diversification, we are confident that the Company remains a major contributor to the social and economic fabric of the Maltese Islands by providing an affordable and efficient portfolio of services including the fulfillment of its obligations to provide a viable Universal Postal Service.

The Company has a focused and committed management team which, together with its loyal and dedicated staff members, has achieved another set of satisfactory results in challenging circumstances. I thank my colleagues for their unwavering commitment in steering our Company forward and to all staff members who have repeatedly risen to the challenge of an ever-evolving market place. My thanks also go to the Board of Directors who extend sound guidance throughout the year.

Joseph Gafa'
Chief Executive Officer

Directors' report

For the year ended 30 September 2013

The Directors present their annual report and the audited financial statements of MaltaPost p.l.c. for the year ended 30 September 2013.

PRINCIPAL ACTIVITIES

The Company operates the postal services in Malta under a licence granted to it by Government of Malta.

REVIEW OF BUSINESS

For the financial year ended 30 September 2013, MaltaPost delivered a satisfactory performance despite the challenges faced by the postal industry and economic uncertainties. The change in inter operator fees for cross border mail brought about by the revised Universal Postal Union (UPU) framework, have again left their mark on the Company's results.

Profit before tax decreased by 5.4% to €1.95m (2012: €2.06m). This performance was achieved notwithstanding one-off gains registered during the previous financial year.

Turnover increased by 2.5% to €21.64m (2012: €21.12m). Business generated through e-commerce registered an increase over the corresponding period last year while traditional mail volumes declined in line with global trends. Expenses increased by 4.2% to €19.92m (2012: €19.12m) mainly as a result of higher labour costs while other operating costs have been contained.

As the national postal service provider the Company is driven by the regulatory obligation to provide a Universal Service mail network. As technology determines the way people and business communicate, the traditional letter mail volumes will continue to decline, impacting the overall financial sustainability of such a Universal Service. The combined result of e-substitution and e-commerce has significantly impacted the overall financial landscape of postal operators across the globe. MaltaPost is no exception to this and has therefore directed its focus towards a variety of alternative product offerings and service models. The Company continued with its strategy to leverage its assets focusing mainly on the delivery network and a trained staff complement. This will strengthen its diversification policy and facilitate the creation of ancillary lines of business, not least financial services, document management and hybrid mail. This course of action, also adopted by other foreign postal operators, is considered to be the most effective response to counter the impact of declining traffic volumes in the traditional postal market.

As MaltaPost evolves and adapts to the changing technological environment and preferences of its customers through product and service diversification, the Directors are confident that the Company shall remain a major contributor to the social and economic fabric of the Islands by continuing to provide an affordable and efficient portfolio of services.

RESULTS AND DIVIDENDS

The income statement is set out on page 25. The Directors recommend the payment of a final net dividend of €0.04 per share amounting to €1,368,702 (2012: €1,307,544).

CAPITAL

As at the Annual General Meeting of 10 January 2013, 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, one hundred seventy two thousand, one hundred and fifty euro (€8,172,150) made up of thirty two million, six hundred eighty eight thousand, six hundred (32,688,600) ordinary shares of a nominal value of €0.25 each, all of one class.

On the 7 February 2013, one million, five hundred and twenty eight thousand, nine hundred forty nine (1,528,949) 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 four million, two hundred seventeen thousand, five hundred forty nine (34,217,549) ordinary shares of €0.25 each all of which carry the same voting rights. Equity attributable to shareholders at 30 September 2013 stood at €16.6 million.

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 on '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 2013 are included in the Annual Report 2013, 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 2013, 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
- 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

IIn 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.

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

Directors' report
For the year ended 30 September 2013

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 69.2% as at 30 September 2013 and 15 November 2013.

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	David Stellini
Chairman	Director

Registered office
305, Qormi Road,
Marsa, MTP 1001

6 December 2013

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 Ocober 2007

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.

PRINCIPLE 5: BOARD MEETINGS

Seven (7) Board meetings were held during the period under review and attendance by Board members was as follows:

	Attended
Julius Bozzino	7
Joseph Said	7
David Stellini	5
Philip Tabone	7
Aurelio Theuma	7

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.

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

Please refer to pages 16 and 17 for the report by the Remuneration Committee in terms of Code Provision 8.A.4. The Chief Executive Officer attends the Remuneration Committee 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.

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 2013 was as follows:

	Beneficial interest
Julius Bozzino	2,590 Ordinary Shares
Philip Tabone	7,460 Ordinary Shares
Aurelio Theuma	2,646 Ordinary Shares

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.

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.

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;

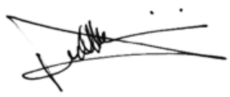
(b) the Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company policies and employee procedures are in place to detect, report and resolve any fraudulent activities or any infringement of the integrity of mail;

(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 6 December 2013 and signed on its behalf by:



Joseph Said
Chairman

David Stellini
Director

Remuneration Report

For the year ended 30 September 2013

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 the putting together of 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 2013 the Remuneration Committee met to discuss the following matters:

(a) approval of the Remuneration Report for the Financial Year ended 30 September 2012 in terms of Code Provision 8.A.3;
(b) proposed remuneration packages for the Chief Executive Officer, Chief Officers, Managers and Assistant Managers.

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 2012/2013 are specified below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€23,292	None	None	None

Directors' emoluments paid for financial year 2012/2013 were as follows:

Joseph Said	€13,976
Julius Bozzino	€2,329
David Stellini	€2,329
Philip Tabone	€2,329
Aurelio Theuma	€2,329
Total	€ 23,292

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 2013.

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. An 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 an 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 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 2012/2013 are as detailed below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€183,586	€12,900	None	See below*

*Senior Executives are entitled to health insurance, communication expenses as well as the use of company car or car allowance.

Company information

Vision Statement

The Company has a corporate vision to be recognised as Malta's leading Company in terms of reform, diversification and growth. This means that the Company shall be customer-focused, financially and commercially strong future enterprise.

Mission Statement

To provide high quality, cost-effective services by exceeding our customers' expectations and by ensuring that shareholder value is enhanced while the aspirations of all staff are realised.

Number of shareholders at 30 September 2013 analysed by range:

Range	Total shareholders	Shares
1 - 500	124	23,328
501 - 1000	60	44,155
1001 - 5000	1772	4,311,793
5001 and over	198	29,838,273
Total	**2154**	**34,217,549**

Number of shareholders at 15 November 2013 analysed by range:

Range	Total shareholders	Shares
1 - 500	125	24,440
501 - 1000	61	45,155
1001 - 5000	1762	4,285,528
5001 and over	197	29,862,426
Total	**2145**	**34,217,549**

The Company has one class of shares and each share is entitled to one vote.

Company information

Registered shareholders with five per cent (5%) or more of the share capital of the Company:

	30 September 2013	15 November 2013
Redbox Limited	69.2%	69.2%

Directors' beneficial and non beneficial interests in the share capital of the Company at:

	30 September 2013	15 November 2013
	Shares	Shares
Philip Tabone	7,460	7,460
Aurelio Theuma	2,646	2,646
Julius Bozzino	2,590	2,590

Company information

Board of Directors
Joseph Said (Chairman)
Julius Bozzino
David Stellini
Philip Tabone
Aurelio Theuma

Company Secretary
Graham A. Fairclough

Senior Management

Joseph Gafa`	Chief Executive Officer
Carmen Ellul	Chief Finance Officer
Daniel Grech	Chief Commercial Officer
Pierre Montebello	Chief Operations Officer
Edwin Abdilla	Head - Mail Services
Moses Azzopardi	Head - Operational Systems
Josianne Bongailas	Head - Delivery
Arianne Borg	Head - Financial Services
Adrian Buttigieg	Head - Parcel /Courier
Jean-Marc Camilleri	Head - Sales
Michael Camilleri	Head - Retail
Stefania Camilleri	Head - Human Resources
Neville Chappell	Head - Finance
John Cremona	Head - Support Services
Rachel Desira	Head - Legal
Vincent Farrugia	Head - Corporate Security
Joseph Formosa	Head - Process
Etienne Gatt	Head - Information Systems
Isabelle Micallef	Head - Customer Care
Patrick Polidano	Head - Quality Assurance
Mary Grace Simpson	Head - Philately
Yolande Spiteri	Head - Marketing
Paul Ellul Sullivan	Head - Systems and Procedures
Joseph Zammit	Head - Internal Audit

Registered Office
305, Qormi Road, Marsa MTP 1001
(+356) 2122 4421 | (+356) 2122 6368 (Fax) | info@maltapost.com | maltapost.com

Company Registration Number: C22796

Independent auditor's report

To the shareholders of MaltaPost p.l.c.

Report on the financial statements for the year ended 30 September 2013

We have audited the financial statements of MaltaPost p.l.c. on pages 24 to 56 which comprise the statement of financial position as at 30 September 2013 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 7, 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 2013 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.

Report on other legal and regulatory requirements

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.

Independent auditor's report - *continued*

Report on other legal and regulatory requirements - *continued*

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

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 10 to 15 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

6 December 2013

MaltaPost p.l.c.

FINANCIAL STATEMENTS

30 September 2013

2013

Statement of financial position

As at 30 September 2013

	Notes	2013 €'000	2012 €'000
		As at 30 September	
ASSETS			
Non-current assets			
Intangible asset	4	**-**	45
Property, plant and equipment	5	**10,320**	10,163
Available-for-sale financial assets	6	**2,598**	2,385
Deferred income tax asset	7	**394**	388
Total non-current assets		**13,312**	12,981
Current assets			
Inventories	8	**602**	635
Trade and other receivables	9	**5,319**	5,013
Current income tax asset		**513**	799
Available-for-sale financial assets	6	**465**	412
Deposits with financial institutions	10	**1,500**	3,000
Cash and cash equivalents	11	**8,714**	6,133
Total current assets		**17,113**	15,992
Total assets		**30,425**	28,973
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**8,554**	8,172
Share premium	12	**3,439**	2,752
Other reserves	13	**133**	94
Retained earnings		**4,507**	4,557
Total equity		**16,633**	15,575
Non-current liabilities			
Provision for liabilities and charges	14	**1,547**	1,503
Current liabilities			
Trade and other payables	15	**12,245**	11,895
Total liabilities		**13,792**	13,398
Total equity and liabilities		**30,425**	28,973

The notes on pages 28 to 56 are an integral part of these financial statements.
The financial statements on pages 24 to 56 were authorised for issue by the Board on 6 December 2013 and were signed on its behalf by:

Joseph Said
Chairman

David Stellini
Director

Income statement
For the year ended 30 September 2013

	Notes	2013 €'000	2012 €'000
		Year ended 30 September	
Revenue	16	**21,638**	21,118
Employee benefits expense	18	**(10,991)**	(10,431)
Depreciation and amortisation expense	17	**(956)**	(917)
Other expenses	17	**(7,972)**	(7,773)
Operating profit		**1,719**	1,997
Finance income	19	**231**	201
Finance costs	20	**-**	(136)
Profit before tax		**1,950**	2,062
Tax expense	21	**(692)**	(735)
Profit for the year		**1,258**	1,327
Earnings per share	23	**€0.04**	€0.04

Statement of comprehensive income
For the year ended 30 September 2013

	Note	2013 €'000	2012 €'000
		Year ended 30 September	
Comprehensive income			
Profit for the year		**1,258**	1,327
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair valuation of available-for-sale financial assets:			
- Net changes in fair value arising during the year	13	**39**	20
- Reclassification adjustments - net amounts reclassified to profit or loss upon disposal	13	**-**	(24)
Total other comprehensive income for the year		**39**	(4)
Total comprehensive income for the year		**1,297**	1,323

The notes on pages 28 to 56 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 September 2013

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
		Attributable to equity shareholders				
Balance at 1 October 2011		7,920	2,014	98	4,497	14,529
Comprehensive income						
Profit for the year		-	-	-	1,327	1,327
Other comprehensive income						
Items that may be reclassified to profit or loss						
Fair valuation of available-for-sale financial assets:						
Net changes in fair value arising during the year	13	-	-	20	-	20
Reclassification adjustments - net amount reclassified to profit or loss upon disposal	13	-	-	(24)	-	(24)
Total other comprehensive income		-	-	(4)	-	(4)
Total comprehensive income		-	-	(4)	1,327	1,323
Transactions with owners						
Allotment of shares	12	252	738	-	-	990
Dividends	24	-	-	-	(1,267)	(1,267)
Total transactions with owners		252	738	-	(1,267)	(277)
Balance at 30 September 2012		**8,172**	**2,752**	**94**	**4,557**	**15,575**
Balance at 1 October 2012		8,172	2,752	94	4,557	15,575
Comprehensive income						
Profit for the year		-	-	-	1,258	1,258
Other comprehensive income						
Items that may be reclassified to profit or loss						
Fair valuation of available-for-sale financial assets						
Net changes in fair value arising during the year	13	-	-	39	-	39
Total other comprehensive income		-	-	39	-	39
Total comprehensive income		-	-	39	1,258	1,297
Transactions with owners						
Allotment of shares	12	382	687	-	-	1,069
Dividends	25	-	-	-	(1,308)	(1,308)
Total transactions with owners		382	687	-	(1,308)	(239)
Balance at 30 September 2013		**8,554**	**3,439**	**133**	**4,507**	**16,633**

The notes on pages 28 to 56 are an integral part of these financial statements.

Statement of cash flows
For the year ended 30 September 2013

	Year ended 30 September	
	2013	2012
	€'000	€'000
Cash flows from operating activities		
Cash from customers	**22,104**	24,106
Cash paid to suppliers and employees	**(18,974)**	(16,884)
Cash flows attributable to funds collected on behalf of third parties	**(306)**	3,981
Cash from operating activities	**2,824**	11,203
Income tax paid	**(409)**	(990)
Net cash generated from operating activities	**2,415**	10,213
Cash flows from investing activities		
Finance income	**229**	190
Purchase of property, plant and equipment	**(1,098)**	(1,585)
Purchase of financial assets	**(640)**	-
Proceeds from maturity/disposal of financial assets	**411**	971
Placement of deposits with financial institutions	**(1,500)**	(3,000)
Proceeds from maturity of deposits with financial institutions	**3,000**	-
Net cash generated from/(used in) investing activities	**402**	(3,424)
Cash flows from financing activities		
Finance costs	**-**	(136)
Repayment of borrowings	**-**	(4,000)
Dividends paid	**(236)**	(275)
Net cash used in financing activities	**(236)**	(4,411)
Net movement in cash and cash equivalents	**2,581**	2,378
Cash and cash equivalents at beginning of year	**6,133**	3,755
Cash and cash equivalents at end of year	**8,714**	6,133

The notes on pages 28 to 56 are an integral part of these 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 and financial instruments at fair value through profit or loss.

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 2013

In 2013, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 October 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, with the exception of IAS 1 'Financial statement presentation', did not result in substantial changes to the Company's accounting policies.

Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income requires entities to group items presented in 'other comprehesive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

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 2012. 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.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Company will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate, to the net defined benefit liability/(asset). Under the revised standard, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions will be charged or credited to equity in other comprehensive income (retained earnings) in the period in which they arise. The amendment is effective for periods beginning on or after 1 January 2013, and has been endorsed by the EU. The Company is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate 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

1. **Summary of significant accounting policies** - *continued*

1.1 Basis of preparation - *continued*

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 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed.

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.

(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 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.

1. **Summary of significant accounting policies** - *continued*

1.3 Property, plant and equipment - *continued*

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.

1.4 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.

1. Summary of significant accounting policies - *continued*

1.5 Financial assets - *continued*

1.5.1 Classification - *continued*

(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.

1.5.2 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.

1. **Summary of significant accounting policies** - *continued*

1.5 Financial assets - *continued*

1.5.2 Recognition and measurement - *continued*

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.

1.5.3 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.

1. **Summary of significant accounting policies** - *continued*

1.5 Financial assets - *continued*

1.5.3 Impairment - *continued*

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.

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

1. Summary of significant accounting policies - *continued*

1.8 Trade and other receivables - *continued*

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

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.

1.11 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. **Summary of significant accounting policies** - *continued*

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.

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. **Summary of significant accounting policies** - *continued*

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 increase in the provision due to passage of time is recognised in profit or loss.

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 accounting costs are assessed using the projected unit credit method. Under this method, the cost of the Company's obligation is charged to profit or loss so as to spread the regular cost over the years of service giving rise to entitlement to benefits in accordance with actuarial techniques. The obligation is measured as the present value of the estimated future cash outflows using interest rates of long term Government bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

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 operators. 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. **Summary of significant accounting policies** - *continued*

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.

1.22 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 Company made use of derivative forward contracts to hedge certain currency exposures during the current financial year.

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	**2013 €'000**	2012 €'000
Financial assets		
Trade receivables	**767**	1,289
Financial liabilities		
Trade payables	**(1,361)**	(981)
Net exposure to foreign currency risk	**(594)**	308

Management does not deem the Company's exposure to foreign currencies at 30 September 2013 and 2012 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.

2. Financial risk management - *continued*

2.1 Financial risk factors - *continued*

(a) Market risk - *continued*

(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:

	2013 **€'000**	2012 €'000
Available-for-sale financial assets - debt securities (Note 6)	**3,063**	2,797
Loans and receivables:		
Trade and other receivables (Note 9)	**5,319**	3,572
Deposits with financial institutions (Note 10)	**1,500**	3,000
Cash and cash equivalents (Note 11)	**8,714**	6,133
	18,596	15,502

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.

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.

2. Financial risk management - *continued*

2.1 Financial risk factors - *continued*

(b) Credit risk - *continued*

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 2013 the Company was exposed to concentration of credit risk with 35% of its trade receivables being attributable to one postal administrator. The Company assesses the credit quality of this administrator 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 2013, the Company had trade receivables amounting to €3,212,000 (2012: €2,889,000) which were fully performing whilst trade receivables amounting to €559,099 (2012: €675,100) 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 €218,309 were overdue by three months, whereas €340,790 were overdue by nine months.

Impairment losses

The Company had impairment provisions amounting to €171,310 (2012: €93,422) 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 €559,099 (2012: €675,100) but were not impaired. All other trade receivables reflect current balances.

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

	2013	2012
	€'000	€'000
At 1 October	**93**	79
Increase in provision	**78**	14
At 30 September	**171**	93

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

2. Financial risk management - *continued*

2.1 Financial risk factors - *continued*

(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 were 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	
	2013	2012
	€'000	€'000
Assets		
Available-for-sale financial assets		
- Debt securities	**3,063**	2,797

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 2011	
Cost	1,159
Accumulated amortisation	(1,035)
Net book amount	124
Year ended 30 September 2012	
Opening net book amount	124
Amortisation charge	(79)
Closing net book amount	45
At 30 September 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 2011					
Cost	10,543	1,866	3,884	29	16,322
Accumulated depreciation	(2,912)	(1,144)	(3,078)	(24)	(7,158)
Net book amount	7,631	722	806	5	9,164
Year ended 30 September 2012					
Opening net book amount	7,631	722	806	5	9,164
Additions	1,039	201	508	89	1,837
Depreciation	(412)	(98)	(313)	(15)	(838)
Closing net book amount	8,258	825	1,001	79	10,163
At 30 September 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**

Improvements to Government owned properties occupied by the Company were depreciated over the period of the licence until 30 September 2011. On 1 October 2011, the Company's Directors reviewed the estimated remaining useful life of these assets in view of the new licence granted by the Malta Communications Authority to MaltaPost p.l.c. for an indefinite period. The effect of this change in accounting estimate on the Company's financial results for the year ended and on the financial position as at 30 September 2012 was a decrease in the Company's depreciation

5. Property, plant and equipment - *continued*

charge of €122,000 and an equivalent increase in net assets. The resultant decreased depreciation charge was included in the determination of the financial results for the applicable financial year in accordance with the requirements of IAS 8. This change in accounting estimate affected the depreciation charge in each period during the remaining useful life of the assets and this impact was recognised in the year ended 30 September 2012 as well as in current and future periods accordingly. The carrying amount of improvements to Government owned property occupied by the Company amounted to €315,575 as at 30 September 2013.

6. Financial instruments by category

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

	2013 €'000	2012 €'000
Available-for-sale	**3,063**	2,797
Available-for-sale:		
Non-current	**2,598**	2,385
Current	**465**	412

Financial assets classified as available-for-sale

	2013 €'000	2012 €'000
Year ended 30 September		
Opening carrying amount	**2,797**	3,763
Additions	**403**	-
Disposals/redemption	**(173)**	(978)
Net fair value movement (Note 13)	**39**	20
Amortisation (Note 19)	**(3)**	(8)
Closing carrying amount	**3,063**	2,797
At 30 September		
Cost	**2,944**	2,714
Accumulated fair value gains	**133**	94
Amortisation	**(14)**	(11)
Carrying amount	**3,063**	2,797

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 3.0% to 7.0% (2012: 5.1% to 7.0%). The weighted average effective interest rate as at 30 September 2013 was 5.5% (2012: 5.8%).

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%.

	2013 €'000	2012 €'000
At beginning of year	**388**	390
Credited/(charged) to the profit or loss (Note 21)	**6**	(2)
At end of year	**394**	388

The balance at 30 September represents temporary differences arising on:

	2013 €'000	2012 €'000
Property, plant and equipment	**356**	378
Provisions	**94**	66
Other	**(56)**	(56)
At end of year	**394**	388

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

	2013 €'000	2012 €'000
Stamps and postal stationery	**290**	269
Inventories for resale	**149**	243
Other inventory items	**163**	123
	602	635

The cost of inventories recognised as expense is appropriately disclosed in Note 17 to the financial statements. During the current financial year, there was no inventory write-downs during the current and preceeding financial year.

9. Trade and other receivables

	2013 €'000	2012 €'000
Trade receivables - gross	**4,108**	3,657
Provision for impairment	**(171)**	(93)
Trade receivables - net	**3,937**	3,564
Other receivables	**-**	8
Prepayments and accrued income	**1,382**	1,441
	5,319	5,013

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

	2013 €'000	2012 €'000
Term placements	**1,500**	3,000

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:

	2013 €'000	2012 €'000
Cash and balances with banks	**8,714**	6,133

Cash and cash equivalents as at 30 September 2013 and 2012 include amounts collected on behalf of third parties (Note 15).

12. Share capital

	2013 €'000	2012 €'000
Authorised		
56,000,000 ordinary shares of €0.25 each	**14,000**	14,000
Issued and fully paid up		
34,217,549 (2012: 32,688,600) ordinary shares of €0.25 each	**8,554**	8,172

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 24) 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 30 January 2012 the Company's Directors approved the allotment of 1,010,497 ordinary shares of €0.25 each at a premium of €0.73 each (Note 24) as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 32,688,600 shares of €0.25 each, resulting in a paid up share capital of €8,172,150.

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
At 1 October 2011	98
Fair valuation of available-for-sale financial assets:	
- Net changes in fair value arising during the year (Note 6)	20
- Reclassification adjustments - net amounts reclassified to profit or loss upon disposal (Note 19)	(24)
At 30 September 2012	94
At 1 October 2012	94
Fair valuation of available-for-sale financial assets:	
- Net changes in fair value arising during the year (Note 6)	39
At 30 September 2013	**133**

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.

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:

	2013	2012
	€'000	€'000
Present value of unfunded obligation	**2,722**	2,619
Crystallised obligation	**(476)**	(417)
Fair value of obligation to be reimbursed by Government	**(699)**	(699)
Provision reflected in financial statements	**1,547**	1,503

The movement for the year is made up of:

	2013	2012
	€'000	€'000
(Charge)/Credit to profit or loss	**(103)**	48
Crystallised obligation	**59**	112
	(44)	160

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

	2013	2012
	€'000	€'000
Interest cost	**(64)**	(42)
Net actuarial movements recognised during the year	**(39)**	90
Total amount (charged)/credited to profit or loss	**(103)**	48

In computing the provision, the Company used a discount rate of 4.09% (2012: 4.37%), whereas the future salary increases were based on inflation rates and past salary increases.

15. Trade and other payables

	2013 €'000	2012 €'000
Current		
Trade payables	**2,263**	1,876
Advance payments effected by postal administrators	**809**	-
Amounts collected on behalf of third parties (Note 11)	**4,177**	4,522
Other payables	**545**	469
Indirect taxes and social security	**440**	256
Accruals and deferred income	**4,011**	4,772
	12,245	11,895

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:

	2013 €'000	2012 €'000
By activity		
Postal	**19,142**	18,281
Philatelic	**414**	554
Other	**2,082**	2,283
	21,638	21,118
By geographical segments		
Local	**19,074**	18,442
International	**2,564**	2,676
	21,638	21,118

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

	2013 €'000	2012 €'000
Employee benefits expense (Note 18)	**10,991**	10,431
Amortisation (Note 4)	**45**	79
Depreciation (Note 5)	**911**	838
Foreign outbound mail	**2,997**	3,304
Property operating lease rentals	**187**	164
Repairs and maintenance	**54**	737
Differences on exchange	**10**	(194)
Movement in provision for impairment of receivables (Note 9)	**78**	14
Production costs	**33**	97
Other expenses	**4,613**	3,651
	19,919	19,121

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

	2013 €'000	2012 €'000
Annual statutory audit	**18**	18
Other assurance services	**11**	11
Tax advisory and compliance services	**2**	4
Other non-audit services	**14**	14
	45	47

Items of an unusual nature, size or incidence

During the previous financial year, an adjustment of €328,000 was credited to operating profit reflecting the reversal of accruals for income and expenditure relating to foreign outbound mail.

18. Employee benefits expense

	2013 €'000	2012 €'000
Wages and salaries	**9,773**	9,394
Other staff costs	**287**	299
Movement in provision for liabilities and charges (Note 14)	**103**	(48)
Social security costs	**828**	786
	10,991	10,431

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

	2013	2012
Operational	**573**	571
Management	**26**	24
	599	595

19. Finance income

	2013 €'000	2012 €'000
Bank and other interest	**75**	17
Debt securities		
- Coupon interest	**159**	168
- Discount/premium amortisation (Note 6)	**(3)**	(8)
Gain on sale of available-for-sale financial assets (Note 13)	**-**	24
	231	201

20. Finance costs

	2013 €'000	2012 €'000
Bank interest	**-**	136

21. Tax expense

	2013 €'000	2012 €'000
Current tax expense	**698**	733
Deferred tax (credit)/charge (Note 7)	**(6)**	2
Tax expense	**692**	735

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

	2013 €'000	2012 €'000
Profit before tax	**1,950**	2,062
Tax at 35%	**683**	722
Tax effect of:		
Income taxed at different rates	**(41)**	(37)
Other differences	**50**	50
Tax expense	**692**	735

22. Directors' emoluments

	2013 €'000	2012 €'000
Directors' fees	**23**	23

The Company paid insurance premia of €4,375 (2012: €4,833) during the year, in respect of professional indemnity in favour of its Directors.

23. Earnings per share

Earnings per share are 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.

	2013	2012
Profit attributable to equity holders (€'000)	**1,258**	1,327
Weighted average number of ordinary shares in issue (thousands)	**33,765**	32,352
Earnings per share (basic and diluted)	**€0.04**	€0.04

24. Dividends

	2013 **€'000**	2012 €'000
Dividend on ordinary shares	**1,308**	1,267
€ 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 2013 is to be proposed. These financial statements do not reflect this final dividend of €1,368,702 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 2014.

25. Commitments

Operating lease commitments

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

	2013 **€'000**	2012 €'000
Current		
Within 1 year	**172**	104
Non-current		
Between 1 and 2 years	**148**	52
Between 2 and 5 years	**386**	-
After 5 years	**55**	-
	761	156

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.

26. 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.:

	2013	2012
	€'000	€'000
Bank interest receivable	**6**	6
Purchases of goods and services	**140**	123

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

Cash and cash equivalents include:

	2013	2012
	€'000	€'000
Bank balances held with related parties	**4,479**	2,024

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 22.

27. Statutory information

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

Five year summary
Accounting ratios

	01/10/12 to 30/09/13 %	01/10/11 to 30/09/12 %	01/10/10 to 30/09/11 %	01/10/09 to 30/09/10 %	01/10/08 to 30/09/09 %
Gross profit margin	**25.38**	24.16	28.32	28.04	28.92
Operating profit margin	**7.94**	9.46	12.90	14.28	14.19
Operating profit to total assets	**5.65**	6.90	10.05	13.86	12.98
Operating profit to capital employed	**10.33**	12.82	19.01	22.53	26.33
Profit before tax to total equity	**11.72**	13.24	20.98	24.76	29.30
Profit after tax to total equity	**7.55**	8.53	13.27	16.34	18.14

	30/09/13	30/09/12	30/09/11	30/09/10	30/09/09
Shares in issue of €0.25 each (thousands)	**34,218**	32,689	31,678	30,570	29,130
Net assets per share (€ cents)	**49**	48	46	42	37
Earnings per share (€ cents)	**4**	4	6	7	7

Financial highlights in major currencies

	USD 000's	GBP 000's
For the year ended 30 September 2013		
Revenue	29,204	18,067
Gross profit	7,411	4,585
Operating profit	2,320	1,435
Profit before tax	2,632	1,628
Net profit after tax	1,694	1,048
At 30 September 2013		
Total assets less current liabilities	24,538	15,180
Total equity	22,451	13,889

Per share

	USD	GBP
Earnings	0.05	0.03
Net asset value	0.66	0.41

At currency rates of exchange ruling on 30 September 2013:

USD 1.3497 = EUR 1

GBP 0.835 = EUR 1

MaltaPost p.l.c.

SUPPLEMENTARY INFORMATION

30 September 2013

2013

Supplementary information

MaltaPost p.l.c. Post Offices

305, Qormi Road,
Marsa, MTP 1001

153, Main Street,
Balzan, BZN 1251

58, Valley Road,
Birkirkara, BKR 9013

48, Zarenu Dalli Street,
Birzebbugia, BBG 1522

Block 14,
Fuq San Pawl,
Bormla, BML 1910

Post Office,
J. F. De Chambrai Street,
Ghajnsielem, GSM 1051

Post Office,
Visitation Street,
Gharb, GRB 1044

Post Office,
Meme' Scicluna Square,
Gzira, GZR 1120

18, Old Railway Street,
Hamrun, HMR 1900

11, Dun Gulju Muscat Street,
Luqa, LQA 1450

Malta International Airport,
M.I.A. Hall,
Luqa, LQA 5001

100, New Mill Street,
Mellieha, MLH 1107

Mobile Post Offices

Civic Centre,
Constitution Street,
Mosta, MST 9059

University Campus,
Msida, MSD 2080

13, North Street,
Nadur, NDR 1220

Civic Centre,
21st September Avenue,
Naxxar, NXR 1018

Civic Centre,
Antoine de Paule Square,
Paola, PLA 1266

Post Office,
Gwardamangia Hill,
Pieta', PTA 1310

207, Victory Street,
Qormi, QRM 2504

Civic Centre,
St. Rita Street,
Rabat, RBT 1001

95, Naxxar Road,
San Gwann, SGN 9031

6, Dolmen Street,
Bugibba,
St.Paul's Bay SPB 2400

Post Office,
Sqaq Tax-Xama',
St. Paul's Bay, SPB 3525

Lombard Bank,
Paceville Avenue,
Paceville,
St. Julians, STJ 3155

118, Manwel Dimech Street,
Sliema, SLM 1055

39, Sir Adrian Dingli Street,
Sliema SLM 1055

Dar l-Annona,
Castille Square,
Valletta, VLT 1060

75, Old Bakery Street,
Valletta, VLT 1458

129, Republic Street,
Victoria, VCT 1013

132, Race Course Street,
Xaghra, XRA 2013

Civic Centre,
Convent Street,
Zabbar, ZBR 1351

Post Office,
Sciortino Street,
Zebbug, ZBG 1962

37, St. Lucian Street,
Zejtun, ZTN 1834

8, St. Catherine Street,
Zurrieq, ZRQ 1088

Supplementary information

MaltaPost p.l.c. Sub-Post Offices

93, Higher Grades Stationery,
Kananea Street,
Attard, ATD 2703

Step In,
Victory Square,
Birgu, BRG 1300

84, Landau Stationery,
Dun Gejtanu Mannarinu Street,
Birkirkara, BKR 9085

94, Oreana Stationery,
L. Casolani Street,
Birkirkara, BKR 4532

D Spiral Stationery,
Victory Street,
Birkirkara, BKR 2691

Misto,
Pjazza L-Eroj,
Swatar,
Birkirkara, BKR 4253

6, Welcome Bazaar,
Frenc Abela Square,
Dingli, DGL 1081

Happy Kids Stationery,
St. Thomas Street,
Fgura, FGR 1608

Future Focus,
9, L-Imhażen Street,
Floriana FRN 1119

Aquavel,
St. Bartholomew Street,
Gharghur, GHR 1014

Kunsill Lokali Ghasri,
Dun Karm Caruana Street,
Ghasri GSR 1021

4, Marchams,
Wesgha Bir id-Deheb,
Ghaxaq, GXQ 1651

85, Squire Bookshop,
Manwel De Vilhena Street,
Gzira, GZR 1016

4A, Troy DVD Rentals,
Archbishop Gonzi Square,
Kalkara, KKR 1502

Kercem Local Cou,
Orvieto Square,
Kercem, KCM 1360

34, Midas,
Marsascala Seafront,
Marsascala, MSK 2113

Tunny Net Souvenir Shop,
Marfa Road,
Mellieha, MLH 1107

51, G. Borg Olivier Street,
Mellieha, MLH 1024

33, MC Stationery,
Gilormu Cassar Street,
Mosta, MST 4117

12, Alessio's Old Cottage,
Parish Street,
Mqabba, MQB 1511

6, S.G.S.,
Felic Borg Street,
San Gwann, SGN 2040

22A, San Lawrenz Local Council,
Our lady of Sorrows Street,
San Lawrenz, SLZ 1261

C@C,
Fleur-De-Lys Junction,
Santa Venera, SVR 1582

49, Louis Stationery,
St. Nicholas Square,
Siggiewi, SGW 1070

7, Malton,
Censu Scerri Street,
Tigne,
Sliema, SLM 3062

Paul's Arcade,
Kahli Street,
St. Paul's Bay, SPB 3015

16/17, Forex,
Market Square,
Tarxien, TXN 1951

Fleet Stationery,
Testaferrata Street,
Ta' Xbiex, XBX 1402

Supplementary information

Collection of postal articles from public letterboxes is held as follows (exceptions may apply as announced to the public in agreement with the Malta Communications Authority):

- Monday - Friday as from 19.00; and
- Saturday as from 15.00.

Delivery of postal articles generally commences as from 7.00 a.m., and ends in accordance with operational exigencies.

Further information on our products and services, including prices and a full list of letterboxes and stamp vendors, may be found on our website on maltapost.com or by request from our Post Offices or from our Customer Care Department on (+356) 2122 4421.

The postal schemes which deal with a number of postal services may also be located and downloaded from our website or available upon request from our Post Offices or our Customer Care. During the period under review, customer complaints accounted for 0.003% of all mail items handled.

Queen Victoria
Issued 1 January 1886
Designer: Jean Ferdinand Joubert de la Ferté and De La Rue
Printer: De La Rue