



## **MaltaPost p.l.c.**

HEAD OFFICE

305, Qormi Road, Marsa MTP 1001

(+356) 2122 4421 | (+356) 2122 6368 (Fax) | [info@maltapost.com](mailto:info@maltapost.com) | [www.maltapost.com](http://www.maltapost.com)

# **ANNUAL REPORT 2015**

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## Chairman's statement to the members

I am delighted to report that MaltaPost performed well in the financial year ending September 2015. Pre-tax profit rose to €3.38 million - an increase of 23.6% over the previous year. Earnings per Share increased to €0.06c while Return on Equity attributable to shareholders improved to a notable 10.7%.

Your Board of Directors is recommending the payment of a final net dividend of €0.04 per share. As in previous years, it is also proposing that shareholders be allowed the option of receiving their dividend either in new shares or in cash.

Shareholders' Funds now stand at €20.39 million, enabling the Company to continue to invest in new ventures while strengthening its retail branch network and related activities. This is also in line with our strategy of considering new business lines that will compensate for the loss of revenue in letter mail, which continues to decline year after year.

Our strategy also includes financial services, which we continue to see as a driver of growth. Moreover, in line with trends in the international postal services industry, we are increasing our focus on logistics, with a view to expand and diversify the related support services. It is such new ventures and activities that will allow us to continue providing comprehensive postal services throughout our Islands. We remain fully aware of our responsibilities towards the general public and the local business community and stand committed to this social role.

The financial burden of the Universal Service Obligations remains a fundamental issue for the Company. This is of course further accentuated by the continued fall in letter mail volumes and our commitment to sustain a high fixed-cost network. In this regard, we continue to liaise closely with the Malta Communications Authority in a continuous effort to find solutions, as the postal rates in Malta remain the lowest in the EU.

MaltaPost has continued to experience healthy growth in e-commerce parcel business where the Company already

offers a choice of delivery services. These options have been increased with the successful introduction of SendOn and we will continue to provide additional choices. This necessitates continued investment in infrastructure and processes so as to ensure commercial and operational agility which meet service level expectations.

The Company has also this year undergone a restructuring exercise with a view to strengthen its management team and be better equipped to meet the ongoing challenges of what is a vibrant and evolving market. Our determination to remain the trusted postal and logistics provider of an efficient and affordable range of services remains undiminished, as is indeed our commitment to provide quality service at all times.

We shall continue in our endeavors to retain the confidence and trust of our customers, to deliver a fair return to our shareholders and to provide a secure and rewarding workplace for our staff complement that exceeds 640 persons.

My fellow board directors join me in expressing sincere appreciation to the staff and management at MaltaPost who have made this positive financial performance possible through dedication and loyalty. I also thank my fellow Directors for their valued contribution and support throughout the year. Sincere thanks are also extended to our customers for their continued trust and confidence, and you, the shareholders, for your constant support.

The successes of these past years reinforces your board's confidence in MaltaPost's future. Indeed, by staying close to industry trends and proactive in respect of identifying investment opportunities we will ensure that the Company's future prospects remain encouraging.



**Joseph Said**  
Chairman

## Chief Executive Officer's Review of operations

It is with satisfaction that I can report that the 12 months ending 30th September 2015 were another satisfactory financial year for MaltaPost. Despite a multitude of challenges we managed to overcome the problems of this ever-changing market that is characterised by unrelenting intense competition and other operational setbacks.

### REVIEW OF BUSINESS

The Company registered a Profit before Taxation of €3.4m as compared to €2.7m last year, representing an increase of 23.6%. Earnings per share rose to €0.06c.

Turnover increased by 8.4% to €25.7m mainly due to higher volumes of international mail services, the parcel activity and revenue from ancillary services. However, this increase was partially offset by a rise to €22.5m or 6.2% in expenses mainly as a result of higher cross-border charges and the fixed cost incurred in the hand-delivery of Letter Mail which continues to generate lower volumes year-on-year.

Circa 87% of Total Revenue is generated by all postal activities with the balance derived from activities such as document management, bill collection and financial services.

Domestic Letter Mail volume registered a decrease of 6.3% while that of international Letter Mail was down by 3.5%. However, volume growth was registered in the parcel and packets business and in registered mail.

The unabated decrease in traditional Letter Mail volumes is at the core of significant challenges for the Company as this challenges the viability of the universal service provision. As revenue is directly impacted by this trend, pertinent costs remain largely fixed and unaffected due to the delivery routes being unchanged, as required by the Universal Service Obligation model. However, to fulfill such obligations in a commercially viable manner without compromising on service levels, we encourage a regulatory model that effectively supports the future sustainability of the Universal Service.

It is indeed this challenge to the viability of the traditional

Letter Mail business that has steered our strategy of innovation and diversification over past years.

### SERVICE PERFORMANCE LEVELS

Our service performance levels are subject to thresholds set by both the Malta Communications Authority and the Universal Postal Union. Such targets have been augmented over the previous period. During the course of this financial year, we have exceeded all such new targets, bar one which we have immediately addressed.

### HUMAN RESOURCES

With a workforce amounting in total to 645 (2014: 628), MaltaPost remains one of Malta's largest private sector employers.

Our programme of continuous training and development of staff underlines our commitment to ensure that staff members continue to hold the skills required to meet on-going challenges, while ensuring a high quality service across all fronts.

Aligned to this, we this year commenced a restructuring exercise aimed at strengthening and focusing the Company's management levels in line with the ever-increasing and demanding challenges stemming from the market as well as in support of our diversification strategy as this gathers momentum.

In January 2015 the Company was recognised as a *Certified Gender Equal Opportunities Employer* through the award of the Equality Mark by the National Commission for the Promotion of Equality. The *Equality Mark* is awarded to organisations that make gender equality one of their values and whose management is based on the recognition and promotion of the potential of all employees irrespective of their gender and caring responsibilities.

### PROJECTS

We remain committed to invest in the upgrading and refurbishment of our portfolio of outlets, ensuring these

## Chief Executive Officer's Review of operations

are suited for a variety of services ranging from traditional postal services to financial services.

A new outlet was opened in Swieqi last August and our new SmartCity branch is set to open in December 2015. We also plan to open a new branch in Floriana during the financial year ending 30 September 2016, which should also see a number of upgrades to existing Post Offices.

### NEW PRODUCTS AND SERVICES

Our SendOn service was extended to the USA last July on a similar basis as SendOn UK. Trucking services from operational hubs in UK, Germany and Italy have also been launched. SendOn offers a range of logistical solutions both for individual and business clients, by utilising an address in one of our foreign logistical hubs. We'll then deliver to our clients' doorstep.

### CORPORATE SOCIAL RESPONSIBILITY

As a major player, we never lose sight of our responsibilities to both the social and local business framework. In meeting these responsibilities tangibly, the Company supported the Community Chest Fund, Id-Dar tal-Providenza, Caritas and a number of other NGOs, as well as several social and cultural activities. Moreover, MaltaPost hosted placements of young workers under the Youth Guarantee Programme.

Works on the Malta Postal Museum, including the internal exhibition space and visitor experience, have been practically completed and we expect to open this museum in 2016. This museum is set to play an important part in safeguarding and promoting Malta's postal heritage.

### OUTLOOK

We are conscious of MaltaPost's role within the community and also its importance to the local economy. We will continue implementing our strategy of generating revenue in new areas so as to mitigate the impact of the global trend in declining letter volumes. Indeed it is this perspective that drives us to continually assess and upgrade our business model to ensure this is attuned to market demands and also

to our objectives.

By extending the reach of our core services and products and driving further efficiency improvements, we aim to improve our customers' experience by offering cost-effective products and services while ensuring a sustainable satisfactory return to all our stakeholders.

We will continue to invest in strengthening our infrastructure particularly in terms of the quality of human capital, diversity of product portfolio, significant geographic reach, and technological capability. This will position MaltaPost on a sound footing to address the challenges ahead. As we continue to plan for sustainable future growth and keeping alert to investment opportunities, we are determined to be leaders in this highly competitive sector and to never lose sight of the core values that customer have recognised in the MaltaPost brand and which they will justifiably continue to expect.

This positive set of results could not have been achieved without the focus and professionalism of our management team, backed also by our dedicated and loyal staff members. As a team, we shall continue to meet the challenges with a mix of winning qualities including innovation, while keeping customers in the forefront of everything we do. This approach underlies our confidence and capability towards sustained achievement.

My final but certainly no lesser thanks go to the Chairman and Board of Directors for the continued guidance, leadership and support that extended throughout the year.

**Joseph Gafa'**  
Chief Executive Officer

# Directors' report

For the year ended 30 September 2015

The Directors present their annual report and the audited financial statements of MaltaPost p.l.c. for the year ended 30 September 2015.

## PRINCIPAL ACTIVITIES

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

## REVIEW OF BUSINESS

A review of the business of the Company for the year ended 30 September 2015 is provided in the Chairman's Statement and the Chief Executive Officer's Review of Operations.

## 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 €1,452,269 (2014: €1,411,216).

## CAPITAL

As at the Annual General Meeting of 16 January 2015, 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, eight hundred twenty thousand, one hundred and two euro (€8,820,102) made up of thirty five million, two hundred eighty thousand, four hundred and ten (35,280,410) ordinary shares of a nominal value of €0.25 each, all of one class.

On 30 January 2015, one million, twenty six thousand, three hundred and eighteen (1,026,318) 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 six million, three hundred six thousand, seven hundred and twenty eight (36,306,728) ordinary shares of €0.25 each all of which carry the same voting rights. Equity attributable to shareholders at 30 September 2015 stood at €20.4 million (2014: €18.2 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

Aurelio Theuma

David Attard (appointed 16 January 2015)

Philip Tabone (resigned 16 January 2015)

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

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

# Directors' report

For the year ended 30 September 2015

## 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 2015 are included in the Annual Report 2015, 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 2015, 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

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

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

- (a) Directors may be authorised by the Company to issue shares subject to the provisions of the Memorandum

# Directors' report

For the year ended 30 September 2015

## LISTING RULES DISCLOSURES - *continued*

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 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 70.1% as at 30 September 2015 and 30 November 2015.

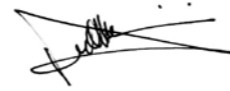
## AUDITORS

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

By order of the Board



Joseph Said  
Chairman



David Stellini  
Director

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

4 December 2015

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

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

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, three (3) of whom are non-executive. Four (4) 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 and Risk Management 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
Aurelio Theuma	8 October 2007
David Attard	16 January 2015
Philip Tabone	Resigned on 16 January 2015

Joseph Said is an Executive Director of the ultimate controlling shareholder, while David Attard, 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. David Stellini is considered to be an independent Director 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:

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

- (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

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

	Attended
Julius Bozzino	7
Joseph Said	8
David Stellini	8
Aurelio Theuma	8
David Attard	6 (out of 6)
Philip Tabone	2 (out of 2)

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

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

### PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT - *continued*

process, 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 AND RISK MANAGEMENT COMMITTEE

The Listing Rules of the Malta Financial Services Authority provide for the establishment of an Audit and Risk Management 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 and Risk Management Committee's Terms of Reference.

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

In terms of Listing Rule 5.118, David Stellini 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 and Risk Management Committee.

During the period under review the Audit and Risk Management Committee met seven (7) times. 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 and Risk Management Committee members to invite any other official of the Company to attend any Committee meeting as they deem fit.

#### REMUNERATION COMMITTEE

The report by the Remuneration Committee in terms of Code Provision 8.A.4 is presented on pages 16 and 17. The Chief Executive Officer attends the Remuneration Committee meetings when requested to do so and the Company Secretary acts as secretary to this Committee.

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

### 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 2015 was as follows:

	Shares held
Julius Bozzino	2,780 Ordinary Shares
Aurelio Theuma	2,646 Ordinary Shares

Joseph Said, who is a Director of the Company, is also a director of the following companies, which as at 30 September 2015 had the following shareholding in the Company:

	Shares held
Safaco Limited	42,846 Ordinary Shares
First Gemini p.l.c.	34,799 Ordinary Shares

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

### PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

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

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

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 4: RESPONSIBILITIES 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.

# Statement of compliance with the principles of good corporate governance

## For the year ended 30 September 2015

### 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 and Risk Committee as well as the Compliance and Risk Management functions.

The Company's system of internal control includes:

- (a) the Company operates through an Executive Committee led by the Chief Executive Officer with clear reporting lines and delegation of authority. Through the Executive Committee 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 Executive Committee is responsible to identify and evaluate key risks applicable to their areas of

business. A member of this same Committee 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 and Risk 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 4 December 2015 and signed on its behalf by:



Joseph Said  
Chairman



David Stellini  
Director



# Remuneration Report

## 1. MEMBERSHIP AND TERMS OF REFERENCE

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

## 2. MEETINGS

During the financial year ended 30 September 2015 the Remuneration Committee met to discuss the following matters:

- (a) Contracts of employment for Chief Officers and Managers
- (b) Proposed Salaries and Discretionary Bonuses
- (c) Remuneration Committee – Terms of Reference
- (d) Collective Agreement

## 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.

Four (4) 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 2014/2015 are specified below:

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

Directors' emoluments paid for financial year 2014/2015 were as follows:

Joseph Said	€ 13,976
Aurelio Theuma	€ 4,000
David Attard	€ 2,816
David Stellini	€ 4,000
Julius Bozzino	€ 4,000
Philip Tabone	€ 1,184
<b>Total</b>	<b>€ 29,976</b>

# Remuneration Report

For the year ended 30 September 2015

## 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 2015.

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. All Senior Executives are on indefinite contracts of employment.

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

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

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the total emoluments received by Senior Executives during the financial year 2014/2015 are as detailed below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€218,049	€33,500	None	See below*

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

## Company information

### Vision Statement

The Company has a corporate vision to be recognized 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 2015 analysed by range:

Range	Total shareholders	Shares
1 - 500	126	21,968
501 - 1000	69	48,082
1001 - 5000	1655	4,110,711
5001 and over	204	32,125,967
<b>Total</b>	<b>2054</b>	<b>36,306,728</b>

### Number of shareholders at 9 November 2015 analysed by range:

Range	Total shareholders	Shares
1 - 500	130	23,524
501 - 1000	71	49,143
1001 - 5000	1648	4,092,166
5001 and over	203	32,141,895
<b>Total</b>	<b>2052</b>	<b>36,306,728</b>

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 2015	9 November 2015
Redbox Limited	70.1%	70.1%

## Company information

### Board of Directors

Joseph Said (Chairman)  
David Attard - (appointed 16 January 2015)  
Julius Bozzino  
David Stellini  
Philip Tabone - (resigned 16 January 2015)  
Aurelio Theuma

### Management

Joseph Gafa`  
Carmen Ellul  
Pierre Montebello  
Mark Vella  
Ray Briffa  
Edwin Abdilla  
Moses Azzopardi  
Pierre Barbara  
Josianne Bongailas  
Adrian Buttigieg  
Christian Calleja  
Stefania Camilleri  
Robert Cassar  
Neville Chappell  
John Cremona  
Vincent Farrugia  
Joseph Formosa  
Gordon Foster  
Etienne Gatt  
Albert Gouder  
Patrick Polidano  
Mary Grace Simpson  
Yolande Spiteri  
Paul Ellul Sullivan  
Joseph Zammit

### Company Secretary

Graham A. Fairclough

Chief Executive Officer  
Chief Finance Officer  
Chief Operating Officer  
Chief Commercial Officer  
Consultant Retail Operations  
Head Mail Services  
Head Operational Systems  
Head Business Applications and Analytics  
Head Delivery  
Head Courier Operations  
Head Risk and Compliance  
Head Human Resources  
Head Business Relations  
Head Finance  
Head Support Services  
Head Corporate Security  
Head Process  
Head Document Management Services  
Head IT Operations  
Head Retail Network  
Head Quality Assurance  
Head Philately  
Head Customer Experience  
Head Operating Procedures  
Head Internal Audit

### Registered Office

305, Qormi Road, Marsa MTP 1001  
(+356) 2122 4421 | (+356) 2122 6368 (Fax) | info@maltapost.com | www.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 2015

We have audited the financial statements of MaltaPost p.l.c. on pages 24 to 58 which comprise the statement of financial position as at 30 September 2015 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 2015 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 for the year ended 30 September 2015

#### *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**

To the shareholders of MaltaPost p.l.c.

**Report on other legal and regulatory requirements for the year ended 30 September 2014 - 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

4 December 2015



**MaltaPost p.l.c.**

# FINANCIAL STATEMENTS

30 September 2015

# 2015

## Statement of financial position

	Notes	As at 30 September	
		2015 €'000	2014 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	13,323	11,795
Available-for-sale financial assets	5	3,781	3,282
Deferred tax asset	6	311	335
<b>Total non-current assets</b>		<b>17,415</b>	<b>15,412</b>
<b>Current assets</b>			
Inventories	7	680	653
Trade and other receivables	8	8,483	6,893
Current income tax asset		-	376
Deposits with financial institutions	9	1,550	1,645
Cash and cash equivalents	10	6,998	5,805
<b>Total current assets</b>		<b>17,711</b>	<b>15,372</b>
<b>Total assets</b>		<b>35,126</b>	<b>30,784</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	9,077	8,820
Share premium	11	5,244	4,310
Other reserves	12	331	132
Retained earnings		5,734	4,956
<b>Total equity</b>		<b>20,386</b>	<b>18,218</b>
<b>Non-current liabilities</b>			
Deferred tax liability	6	777	-
Provision for liabilities and charges	13	1,637	1,592
<b>Total non-current liabilities</b>		<b>2,414</b>	<b>1,592</b>
<b>Current liabilities</b>			
Trade and other payables	14	11,980	10,974
Current tax liability		346	-
<b>Total current liabilities</b>		<b>12,326</b>	<b>10,974</b>
<b>Total liabilities</b>		<b>14,740</b>	<b>12,566</b>
<b>Total equity and liabilities</b>		<b>35,126</b>	<b>30,784</b>

The notes on pages 28 to 58 are an integral part of these financial statements.

The financial statements on pages 24 to 58 were authorised for issue by the Board on 4 December 2015 and were signed on its behalf by:



Joseph Said  
Chairman



David Stellini  
Director

## Income statement

	Notes	Year ended 30 September	
		2015 €'000	2014 €'000
<b>Revenue</b>	15	<b>25,705</b>	23,723
Employee benefits expense	16	(11,534)	(11,314)
Depreciation and amortisation expense	16	(960)	(723)
Other expenses	16	(10,010)	(9,156)
<b>Operating profit</b>		<b>3,201</b>	2,530
Finance income	18	181	206
<b>Profit before tax</b>		<b>3,382</b>	2,736
Tax expense	19	(1,193)	(937)
<b>Profit for the year</b>		<b>2,189</b>	1,799
<b>Earnings per share</b>	21	<b>€0.06</b>	€0.05

## Statement of comprehensive income

	Note	Year ended 30 September	
		2015 €'000	2014 €'000
<b>Comprehensive income</b>			
Profit for the year		2,189	1,799
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Available-for-sale financial assets:			
Gains from changes in fair value	12	199	151
<i>Items that will not be reclassified to profit or loss</i>			
Surplus arising on revaluation of land and buildings	4	894	-
Income tax relating to revaluation of land and buildings	6	(777)	-
Remeasurements of defined benefit obligations	12	(117)	(133)
<b>Total other comprehensive income for the year</b>		<b>199</b>	18
<b>Total comprehensive income for the year</b>		<b>2,388</b>	1,817

The notes on pages 28 to 58 are an integral part of these financial statements.

## Statement of changes in equity

Notes	Attributable to equity shareholders				Total €'000	
	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000		
Balance at 1 October 2013	8,554	3,439	114	4,526	16,633	
<b>Comprehensive income</b>						
Profit for the year	-	-	-	1,799	1,799	
<b>Other comprehensive income</b>						
Available-for-sale financial assets:						
Gains from changes in fair value	12	-	-	151	151	
Remeasurements of defined benefit obligations	13	-	-	(133)	(133)	
Total other comprehensive income		-	-	18	18	
Total comprehensive income		-	-	1,799	1,817	
<b>Transactions with owners</b>						
Allotment of shares	11	266	871	-	1,137	
Dividends	22	-	-	(1,369)	(1,369)	
Total transactions with owners		266	871	-	(232)	
<b>Balance at 30 September 2014</b>		<b>8,820</b>	<b>4,310</b>	<b>132</b>	<b>4,956</b>	<b>18,218</b>
Balance at 1 October 2014		8,820	4,310	132	4,956	18,218
<b>Comprehensive income</b>						
Profit for the year		-	-	-	2,189	2,189
<b>Other comprehensive income</b>						
Surplus arising on revaluation of land and buildings	4	-	-	894	-	894
Income tax relating to revaluation of land and buildings	6	-	-	(777)	-	(777)
Available-for-sale financial assets:						
Gains from changes in fair value	12	-	-	199	-	199
Remeasurements of defined benefit obligations	13	-	-	(117)	-	(117)
Total other comprehensive income		-	-	199	-	199
Total comprehensive income		-	-	199	2,189	2,388
<b>Transactions with owners</b>						
Allotment of shares	11	257	934	-	-	1,191
Dividends	22	-	-	-	(1,411)	(1,411)
Total transactions with owners		257	934	-	(1,411)	(220)
<b>Balance at 30 September 2015</b>		<b>9,077</b>	<b>5,244</b>	<b>331</b>	<b>5,734</b>	<b>20,386</b>

The notes on pages 28 to 58 are an integral part of these financial statements.

## Statement of cash flows

	Year ended 30 September	
	2015 €'000	2014 €'000
<b>Cash flows from operating activities</b>		
Cash from customers	25,563	22,440
Cash paid to suppliers and employees	(21,695)	(20,762)
Cash flows attributable to funds collected on behalf of third parties	347	(1,768)
Cash from operating activities	4,215	(90)
Income tax paid	(448)	(743)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,767</b>	<b>(833)</b>
<b>Cash flows from investing activities</b>		
Finance income	178	212
Purchase of property, plant and equipment	(2,326)	(1,866)
Purchase of financial assets	(303)	(638)
Proceeds from disposals/redemptions of financial assets	-	578
Maturity/(placement) of deposits with financial institutions	95	(145)
<b>Net cash used in investing activities</b>	<b>(2,356)</b>	<b>(1,859)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(218)	(217)
<b>Net cash used in financing activities</b>	<b>(218)</b>	<b>(217)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(1,193)</b>	<b>(2,909)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,805</b>	<b>8,714</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,998</b>	<b>5,805</b>

The notes on pages 28 to 58 are an integral part of these financial statements.

# Notes to the financial statements

For the year ended 30 September 2015

## 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 the land and buildings class within property, plant and equipment and available-for-sale financial assets.

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

#### (a) Standards, interpretations and amendments to published standards effective in 2015

In 2015, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 October 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies.

#### (b) Voluntary change in accounting policy

The change in accounting policy noted below results in the financial statements providing reliable and more relevant information about the effects or events or conditions in the Company's financial position and financial performance.

#### *Property, plant and equipment*

During the current financial year, the Company changed its accounting policy with respect to subsequent measurement of the land and buildings class of property, plant and equipment whereby these assets shall be carried at a revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Increases in the carrying amount as a result of a revaluation shall be recognised in other comprehensive income and accumulated in equity. Revaluations shall be carried out on a regular basis to ensure that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Land and buildings were previously carried at cost less any accumulated depreciation and any accumulated impairment losses.

The initial application of the accounting policy to revalue land and buildings in accordance with the requirements of IAS 16 'Property, plant and equipment', is dealt with as a revaluation in accordance with the requirements of IAS 16. The Company has engaged external independent valuers to value the Company's land and buildings as at 30 September 2015. The impacts of this change in accounting policy and resultant revaluation of land and buildings are reflected in Note 4 and 12 to the financial statements.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

#### (c) 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 2014. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application, except as disclosed below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Under IFRS 9 there is a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

### 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.

# Notes to the financial statements

## For the year ended 30 September 2015

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

#### 1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost.

Land and buildings are subsequently shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged to profit or loss, and then reflected in other comprehensive income and shown as a revaluation reserve.

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's property portfolio i.e. land and buildings at periodical intervals. The fair values are based on market values, being the estimated amount or price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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 life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

# Notes to the financial statements

## For the year ended 30 September 2015

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

#### 1.3 Property, plant and equipment - continued

The rates of depreciation used for the current and comparative periods are as follows:

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

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

The asset's 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 the asset's carrying amount is greater than its estimated recoverable amount (Note 1.5).

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

#### 1.4 Financial assets

##### 1.4.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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', 'deposits with financial institutions' and 'cash and cash equivalents' in the statement of financial position (Notes 1.7 and 1.8).



# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.4 Financial assets - continued

#### 1.4.1 Classification - continued

##### (b) 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.

#### 1.4.2 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.

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

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

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

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.4 Financial assets - continued

#### 1.4.2 Recognition and measurement - continued

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.

#### 1.4.3 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

For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.4 Financial assets - continued

#### 1.4.3 Impairment - continued

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.

#### 1.5 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.

#### 1.6 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.

#### 1.7 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 in accordance with accounting policy 1.4.3. 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.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.8 Cash and cash equivalents and deposits with financial institutions

Cash and cash equivalents and deposits with financial institutions 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, whereas deposits which exceed the three month term are classified and presented as deposits with financial institutions.

### 1.9 Share capital and share premium

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

### 1.10 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. 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.

### 1.11 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.

### 1.12 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.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.13 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.

The Company has agreements in place with third parties to collect, through the Company's outlet network, amounts due to these third parties owed by their customers. Any amounts collected in respect of these agreements are retained by the Company until settlement with the respective third parties, during which time the Company is exposed to the risks and rewards emanating from the amounts collected. Such amounts are therefore presented within assets with a corresponding liability towards the third party presented within trade and other payables.

### 1.14 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.

### 1.15 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.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.15 Provisions - continued

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

### 1.16 Revenue recognition

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

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

Other income is recognised as follows:

(a) finance income is recognised as it accrues on a time proportion basis using the effective interest method, unless collectability is in doubt;

(b) dividend income is recognised when the right to receive payment is established.

### 1.17 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.

# Notes to the financial statements

For the year ended 30 September 2015

## 1. Summary of significant accounting policies - continued

### 1.17 Government grants - continued

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.

### 1.18 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 leases.

### 1.19 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.

### 1.20 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.

### 1.21 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.

# Notes to the financial statements

For the year ended 30 September 2015

## 2. Financial risk management

### 2.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising primarily from the Company's sales and purchases attributable to its postal activities, a part of which are denominated in 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	2015 €'000	2014 €'000
<i>Financial assets</i>		
Trade receivables	2,180	2,321
<i>Financial liabilities</i>		
Trade payables	(659)	(653)
Net exposure to foreign currency risk	1,521	1,668

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

# Notes to the financial statements

For the year ended 30 September 2015

## 2. Financial risk management - continued

### 2.1 Financial risk factors - 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:

	2015 €'000	2014 €'000
Available-for-sale financial assets - debt securities (Note 5)	3,781	3,282
Loans and receivables:		
Trade and other receivables (Note 8)	8,661	7,073
Deposits with financial institutions (Note 9)	1,550	1,645
Cash and cash equivalents (Note 10)	6,998	5,805
	<b>20,990</b>	<b>17,805</b>

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.

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.

# Notes to the financial statements

For the year ended 30 September 2015

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Credit risk - continued

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 sovereign debt securities having a carrying amount to €2.2 million (2014: €1.7 million) with a credit rating of A, as well as by listed debt securities issued by corporates having a carrying amount of €0.1 million (2014: €0.1 million) with a credit rating of BBB+. The remaining investments in listed debt instruments issued by local corporates with a carrying amount of €1.5 million (2014: €1.5 million) are unrated. Credit risk in respect of financial instruments is considered to be limited, also in view of the fact that all such investments are listed on the Malta Stock Exchange.

As at 30 September 2015 the Company was exposed to concentration of credit risk with 42% (2014: 28%) of its trade receivables being attributable to four (2014: two) postal administrators. The Company assesses the credit quality of these administrators by taking into account financial position, performance and other factors. No losses from non-performance or default are expected in this respect.

As at 30 September 2015, the Company had trade receivables amounting to €5,204,000 (2014: €3,901,000) which were fully performing whilst trade receivables amounting to €1,252,000 (2014: €461,000) 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 receivable amounting to €734,000 (2014: €209,553) were overdue by three months, whereas €518,000 (2014: €251,017) were overdue by nine months.

#### Impairment losses

The Company had impairment provisions amounting to €178,509 (2014: €180,348) 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 €1,254,000 (2014: €460,570) 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:

	2015 €'000	2014 €'000
At 1 October	180	171
Movement in provision	(2)	9
<b>At 30 September</b>	<b>178</b>	<b>180</b>

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

# Notes to the financial statements

For the year ended 30 September 2015

## 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 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

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

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

### 2.2 Capital risk management

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

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

### 2.3 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).

# Notes to the financial statements

For the year ended 30 September 2015

## 2. Financial risk management - continued

### 2.3 Fair values of financial instruments - continued

	Level 1	
	2015 €'000	2014 €'000
<b>Assets</b>		
Available-for-sale financial assets		
- Debt securities	3,781	3,282

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.

The Company's land and buildings class of property, plant and equipment is fair valued on the basis of professional advice, which considers current market prices for the properties. Fair valuation of property requires the extensive use of judgement and estimates.

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

The Directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Notes to the financial statements

For the year ended 30 September 2015

## 4. Property, plant and equipment

	Land and buildings €'000	Improvements to leasehold properties €'000	Fixtures, furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
<b>At 1 October 2013</b>						
Cost	9,817	404	4,097	4,767	142	19,227
Accumulated depreciation	(2,168)	(209)	(2,574)	(3,907)	(49)	(8,907)
<b>Net book amount</b>	<b>7,649</b>	<b>195</b>	<b>1,523</b>	<b>860</b>	<b>93</b>	<b>10,320</b>
<b>Year ended 30 September 2014</b>						
Opening net book amount	7,649	195	1,523	860	93	10,320
Additions	762	337	819	268	12	2,198
Depreciation	(82)	(57)	(169)	(381)	(34)	(723)
<b>Closing net book amount</b>	<b>8,329</b>	<b>475</b>	<b>2,173</b>	<b>747</b>	<b>71</b>	<b>11,795</b>
<b>At 30 September 2014</b>						
Cost	10,579	741	4,916	5,035	154	21,425
Accumulated depreciation	(2,250)	(266)	(2,743)	(4,288)	(83)	(9,630)
<b>Net book amount</b>	<b>8,329</b>	<b>475</b>	<b>2,173</b>	<b>747</b>	<b>71</b>	<b>11,795</b>
<b>Year ended 30 September 2015</b>						
Opening net book amount	8,329	475	2,173	747	71	11,795
Additions	745	260	582	184	-	1,771
Assets written off	(1,678)	-	-	-	-	(1,678)
Depreciation	(76)	(97)	(368)	(389)	(30)	(960)
Depreciation released on assets written off	1,501	-	-	-	-	1,501
Revaluation of land and buildings						
- Effect on cost	113	-	-	-	-	113
- Effect on accumulated depreciation	781	-	-	-	-	781
<b>Closing net book amount</b>	<b>9,715</b>	<b>638</b>	<b>2,387</b>	<b>542</b>	<b>41</b>	<b>13,323</b>
<b>At 30 September 2015</b>						
Cost or valuation	9,715	968	7,179	5,219	154	23,235
Accumulated depreciation	-	(330)	(4,792)	(4,677)	(113)	(9,912)
<b>Net book amount</b>	<b>9,715</b>	<b>638</b>	<b>2,387</b>	<b>542</b>	<b>41</b>	<b>13,323</b>

# Notes to the financial statements

For the year ended 30 September 2015

## 4. Property, plant and equipment - continued

Assets written off relate to assets which were no longer utilised and for which no future use was envisaged.

### Fair valuation of property

In accordance with the voluntary change in accounting policy with respect to subsequent measurement, the Company's land and buildings within property, plant and equipment were revalued on 30 September 2015 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 30 September 2015, on the basis of the valuations carried out by the independent property valuers. Adjustments to the carrying amounts were deemed necessary and accordingly recognised during the current financial year.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

As at 30 September 2015, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised an increase of €894,535 in the carrying values for the Company to reflect the property's estimated open market value on an individual asset level. This increase was recognised in other comprehensive income as a property revaluation reserve within shareholders' equity.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

The Company's land and buildings, within property, plant and equipment, comprises the head office, mail delivery hubs and retail outlets. All the recurring property fair value measurements at 30 September 2015 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 30 September 2015.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements, categorised within Level 3 of the value hierarchy, is reflected in the table above. The movement reflects changes in fair value, additions and depreciation charge.

# Notes to the financial statements

For the year ended 30 September 2015

## 4. Property, plant and equipment - continued

### Valuation processes

The valuations of the properties will be performed regularly on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Company which is derived from the Company's financial systems and is subject to the Company's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Financial Officer (CFO). This includes a review of fair value movements. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Audit Committee. The Audit Committee considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the CFO will assess whether any significant changes or developments have been experienced since the last external valuation. This is supported by an assessment performed by the independent firm of property valuers. The CFO reports to the Audit Committee on the outcome of this assessment.

### Valuation techniques

The external valuations of the Level 3 property have been performed using an adjusted sales comparison approach for the land component and the replacement cost approach for the buildings component.

In view of a limited number of similar sales in the local market, the valuations have predominantly been performed using unobservable inputs. The significant input to the adjusted sales comparison approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the Company's property, with significant adjustments for differences in the size, age, exact location and condition of the property. The significant input to the replacement cost approach is the estimated development costs per square metre.

# Notes to the financial statements

For the year ended 30 September 2015

## 4. Property, plant and equipment - continued

### Information about fair value measurements using significant unobservable inputs (Level 3)

At 30 September 2015				
Description by class based on highest and best use	Fair value €'000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Current use as office premises, retail outlets and mail delivery hubs	9,715	Adjusted sales comparison approach	Sales price per square metre	300 - 12,600 (750)
		Replacement cost approach	Development costs per square metre	200 - 600 (250)

The Company's improvements to premises not owned by the Company, with a carrying amount of €638,000 have not been included in the analysis above.

The higher the sales price per square metre or the development costs per square metre, the higher the resultant fair valuation.

The highest and best use of the Company's properties is equivalent to their current use.

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	2015 €'000	2014 €'000
At 30 September	8,399	7,740



## Notes to the financial statements

For the year ended 30 September 2015

### 5. Available-for-sale financial assets

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

	2015 €'000	2014 €'000
Available-for-sale:		
Non-current	3,781	3,282
<i>Financial assets classified as available-for-sale:</i>		
	2015 €'000	2014 €'000
<b>Year ended 30 September</b>		
Opening carrying amount	3,282	3,063
Additions	303	638
Disposals/redemptions	-	(578)
Net fair value movements (Note 12)	199	151
Amortisation	(3)	8
Closing carrying amount	3,781	3,282
<b>At 30 September</b>		
Amortised Cost	3,298	2,998
Accumulated fair value gains	483	284
Carrying amount	3,781	3,282

Available-for-sale financial assets consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 3% to 7% (2014: 3% to 7%). The weighted average effective interest rate as at 30 September 2015 was 5% (2014: 5%).

As at 30 September 2015, available-for-sale financial assets amounting to €407,393 (2014: €400,932) were held as security against third party balances.

## Notes to the financial statements

For the year ended 30 September 2015

### 6. Deferred tax assets and liabilities

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The principal tax rate used is 35% (2014: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% of the transfer value, amounting to €777,000 as at 30 September 2015.

The balance at 30 September represents temporary differences attributable to:

	2015 €'000	2014 €'000
<b>Assets</b>		
Depreciation of property, plant and equipment	306	292
Provisions	98	99
Other	(93)	(56)
<b>At end of year</b>	<b>311</b>	<b>335</b>
<b>Liabilities</b>		
Fair valuation of land and buildings	(777)	-
<b>At end of year</b>	<b>(777)</b>	<b>-</b>

The movement in the Company's deferred tax assets and liabilities during the year is as follows:

	2015 €'000	2014 €'000
<b>Assets</b>		
At beginning of year	335	394
Charged to profit or loss (Note 19)	(24)	(59)
<b>At end of year</b>	<b>311</b>	<b>335</b>
<b>Liabilities</b>		
Charged to other comprehensive income (Note 12)	(777)	-
<b>At end of year</b>	<b>(777)</b>	<b>-</b>
<b>Net deferred tax (liability)/asset</b>	<b>(466)</b>	<b>335</b>

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of land and buildings within property, plant and equipment (Note 12).

# Notes to the financial statements

For the year ended 30 September 2015

## 7. Inventories

	2015 €'000	2014 €'000
Stamps and postal stationery	301	266
Inventories for resale	163	146
Other inventory items	216	241
	<b>680</b>	<b>653</b>

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

## 8. Trade and other receivables

	2015 €'000	2014 €'000
<b>Current</b>		
Trade receivables - gross	6,456	4,362
Provision for impairment	(178)	(180)
Trade receivables - net	<b>6,278</b>	<b>4,182</b>
Prepayments and accrued income	2,205	2,711
	<b>8,483</b>	<b>6,893</b>

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

## 9. Deposits with financial institutions

	2015 €'000	2014 €'000
Term placements	1,550	1,645

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

# Notes to the financial statements

For the year ended 30 September 2015

## 10. Cash and cash equivalents

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

	2015 €'000	2014 €'000
Cash and balances with banks	<b>6,998</b>	<b>5,805</b>

Cash and cash equivalents as at 30 September 2015 and 2014 include amounts collected on behalf of third parties (Note 14).

## 11. Share capital

	2015 €'000	2014 €'000
<b>Authorised</b>		
56,000,000 ordinary shares of €0.25 each	<b>14,000</b>	<b>14,000</b>
<b>Issued and fully paid up</b>		
36,306,728 (2014: 35,280,410) ordinary shares of €0.25 each	<b>9,077</b>	<b>8,820</b>

By virtue of a resolution dated 6 December 2013 the Company's Directors approved the allotment of 1,062,861 ordinary shares of €0.25 each at a premium of €0.82 each (Note 22) as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 35,280,410 shares of €0.25 each, resulting in a paid up share capital of €8,820,102.

By virtue of a resolution dated 9 December 2014 the Company's Directors approved the allotment of 1,026,318 ordinary shares of €0.25 each at a premium of €0.91 each (Note 22) as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 36,306,728 shares of €0.25 each, resulting in a paid up share capital of €9,076,682.

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.

## Notes to the financial statements

For the year ended 30 September 2015

### 12. Other reserves

	Property revaluation reserve €'000	Investment Fair value reserve €'000	Other reserve €'000	Total €'000
At 1 October 2013	-	133	(19)	114
Available-for-sale financial assets:				
Gains from changes in fair value (Note 5)	-	151	-	151
Remeasurements of defined benefit obligations (Note 13)	-	-	(133)	(133)
<b>At 30 September 2014</b>	<b>-</b>	<b>284</b>	<b>(152)</b>	<b>132</b>
At 1 October 2014	-	284	(152)	132
Available-for-sale financial assets:				
Gains from changes in fair value (Note 5)	-	199	-	199
Remeasurements of defined benefit obligations (Note 13)	-	-	(117)	(117)
Surplus arising on revaluation of land and buildings (Note 4)	894	-	-	894
Deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals (Note 6)	(777)	-	-	(777)
<b>At 30 September 2015</b>	<b>117</b>	<b>483</b>	<b>(269)</b>	<b>331</b>

#### Property revaluation reserve

Subsequent to the Company's change in accounting policy (Note 4), the revaluation reserve relates to fair valuation of the land and buildings component of property, plant and equipment, and the balance represents the cumulative net increase in fair value of such property, net of related deferred tax.

#### Investment fair value reserve

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

#### Other reserve

The other reserve reflects the impact of actuarial gains and losses with respect to pension obligations (Note 13) recognised in other comprehensive income in accordance with the Company's accounting policy.

## Notes to the financial statements

For the year ended 30 September 2015

### 13. 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:

	2015 €'000	2014 €'000
Present value of unfunded obligation	3,070	2,904
Crystallised obligation	(734)	(613)
Fair value of obligation to be reimbursed by Government	(699)	(699)
<b>Provision reflected in financial statements</b>	<b>1,637</b>	<b>1,592</b>

The provision is principally non-current in nature.

The movement for the year is made up of:

	2015 €'000	2014 €'000
Charge to profit or loss	(49)	(49)
Charge to other comprehensive income (Note 12)	(117)	(133)
Crystallised obligation	121	137
	<b>(45)</b>	<b>(45)</b>

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

	2015 €'000	2014 €'000
Interest cost	(49)	(49)

The amount recognised in other comprehensive income is as follows:

	2015 €'000	2014 €'000
Net actuarial losses - attributable to financial assumptions	(117)	(133)

In computing the provision, the Company used a discount rate of 2.12% (2014: 3.03%), whereas the future salary increases were based on inflation rates and past salary increases. Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 80 depending on age and gender of the beneficiaries.

# Notes to the financial statements

For the year ended 30 September 2015

## 13. Provision for liabilities and charges - continued

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

## 14. Trade and other payables

	2015 €'000	2014 €'000
<b>Current</b>		
Trade payables	4,131	2,557
Amounts collected on behalf of third parties	2,627	2,319
Other payables	842	715
Indirect taxes and social security	293	205
Accruals and deferred income	4,087	5,178
	<b>11,980</b>	<b>10,974</b>

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

## 15. Revenue

Revenue is analysed as follows:

	2015 €'000	2014 €'000
<b>By activity</b>		
Postal	22,410	21,313
Philatelic	484	434
Other	2,811	1,976
	<b>25,705</b>	<b>23,723</b>
<b>By geographical segments</b>		
Local	21,691	20,267
International	4,014	3,456
	<b>25,705</b>	<b>23,723</b>

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.

# Notes to the financial statements

For the year ended 30 September 2015

## 16. Expenses by nature

	2015 €'000	2014 €'000
Employee benefits expense (Note 17)	11,534	11,314
Depreciation (Note 4)	960	723
Foreign outbound mail	4,812	3,992
Property operating lease rentals	200	213
Motor vehicle lease rentals	136	136
Repairs and maintenance	312	285
Differences on exchange	(200)	(85)
Movement in provision for impairment of receivables (Note 8)	(2)	9
Production costs	131	171
Other expenses	4,621	4,435
	<b>22,504</b>	<b>21,193</b>

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

	2015 €'000	2014 €'000
Annual statutory audit	19	25
Other assurance services	14	14
Tax advisory and compliance services	1	8
	<b>34</b>	<b>47</b>

## 17. Employee benefits expense

	2015 €'000	2014 €'000
Wages and salaries	10,321	10,151
Other staff costs	308	274
Movement in provision for liabilities and charges (Note 13)	49	49
Social security costs	856	840
	<b>11,534</b>	<b>11,314</b>

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

	2015	2014
Operational	580	578
Management	25	25
	<b>605</b>	<b>603</b>

# Notes to the financial statements

For the year ended 30 September 2015

## 18. Finance income

	2015 €'000	2014 €'000
Bank and other interest	47	27
Interest income from debt securities	134	179
	<b>181</b>	<b>206</b>

## 19. Tax expense

	2015 €'000	2014 €'000
Current tax expense	1,169	878
Deferred tax charge (Note 6)	24	59
Tax expense	<b>1,193</b>	<b>937</b>

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

	2015 €'000	2014 €'000
Profit before tax	3,382	2,736
Tax at 35%	1,184	958
Tax effect of:		
Income taxed at different rates	(37)	(38)
Other differences	46	17
Tax expense	<b>1,193</b>	<b>937</b>

## 20. Directors' emoluments

	2015 €'000	2014 €'000
Directors' fees	30	30

The Company paid insurance premia of €6,402 (2014: €6,338) during the year, in respect of professional indemnity in favour of its Directors.

# Notes to the financial statements

For the year ended 30 September 2015

## 21. Earnings per share

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

	2015	2014
Profit attributable to equity holders (€'000)	<b>2,045</b>	1,799
Weighted average number of ordinary shares in issue (thousands)	<b>35,964</b>	34,940
Earnings per share (basic and diluted)	<b>€0.06</b>	€0.05

## 22. Dividends

	2015 €'000	2014 €'000
Dividend on ordinary shares	1,411	1,369
€ per share (net)	<b>€0.04</b>	€0.04

At the forthcoming Annual General Meeting, a final net dividend of €0.04 in respect of the financial year ended 30 September 2015 is to be proposed. These financial statements do not reflect this final dividend of €1,452,269 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 2016.

## 23. Commitments

### Operating lease commitments

The future minimum lease payments under non-cancellable operating leases with respect to property and motor vehicles, mainly having a term of five years, are as follows:

	2015 €'000	2014 €'000
<b>Current</b>		
Within 1 year	167	138
<b>Non-current</b>		
Between 1 and 2 years	124	136
Between 2 and 5 years	159	252
	<b>450</b>	<b>526</b>

The Company is also committed to pay an annual licence fee of 0.75% of its total gross revenue from postal services within the scope of the universal services.

# Notes to the financial statements

For the year ended 30 September 2015

## 24. Related party transactions

Redbox Limited, the Company's immediate parent, is a subsidiary of Lombard Bank Malta p.l.c. All entities that are controlled by Lombard Bank Malta p.l.c. are considered by the Directors to be related parties. The major shareholders of Lombard Bank Malta p.l.c. are also considered 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 are not 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.:

	2015 €'000	2014 €'000
Revenue from provision of services	28	-
Bank interest income	12	37
Purchases of goods and services	119	153

There were no year end balances with related parties arising from the above transactions.

Cash and cash equivalents include:

	2015 €'000	2014 €'000
Term placements and bank balances held with Lombard Bank Malta p.l.c.	3,766	3,298

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 20.

## 25. Statutory information

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

## Five year summary Accounting ratios

	01/10/14 to 30/09/15 %	01/10/13 to 30/09/14 %	01/10/12 to 30/09/13 %	01/10/11 to 30/09/12 %	01/10/01 to 30/09/11 %
Gross profit margin	28.15	25.19	24.58	24.62	28.32
Operating profit margin	12.45	10.66	8.12	9.46	12.90
Operating profit to total assets	9.11	8.22	5.78	6.89	10.05
Operating profit to capital employed	15.7	13.89	10.57	12.82	19.01
Profit before tax to total equity	16.59	15.02	11.96	13.24	20.98
Profit after tax to total equity	10.74	9.87	7.80	8.52	13.27
	30/09/15	30/09/14	30/09/13	30/09/12	30/09/11
Shares in issue of €0.25 each (thousands)	36,307	35,280	34,218	32,689	31,678
Net assets per share (€ cents)	56	52	49	48	46
Earnings per share (€ cents)	6	5	4	4	6

## Financial highlights in major currencies

	USD 000's	GBP 000's
<b>For the year ended 30 September 2015</b>		
Revenue	28,903	19,058
Gross profit	8,136	5,365
Operating profit	3,599	2,373
Profit before tax	4,278	2,821
Net profit after tax	2,783	1,835
<b>At 30 September 2015</b>		
Total assets less current liabilities	25,020	16,498
Total equity	23,112	15,240
<b>Per share</b>		
	USD	GBP
Earnings	0.07	0.04
Net asset value	0.66	0.43

At currency rates of exchange ruling on 30 September 2015:

USD 1.1244 = EUR 1

GBP 0.7414 = EUR 1



MaltaPost p.l.c.

## SUPPLEMENTARY INFORMATION

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30 September 2015

2015



## Supplementary information

### MaltaPost p.l.c. Post Offices

#### Balzan

153, Main Street,  
Balzan, BZN 1251

#### Birkirkara

58, Valley Road,  
Birkirkara, BKR 9013

#### Birżebbuġa

48, Żarenu Dalli Street,  
Birżebbuġa, BBG 1522

#### Bormla

Block 14, Fuq San Pawl,  
Bormla, BML 1910

#### Għajnsielem

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

#### Għarb

Post Office, Visitation Street,  
Għarb, GRB 1044

#### Gżira

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

#### Hamrun

18, Old Railway Street,  
Hamrun, HMR 1900

#### Luqa

11, Dun Ġulju Muscat Street,  
Luqa, LQA 1450

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

#### Marsa

305, Qormi Road,  
Marsa, MTP 1001

#### Mellieħa

100, New Mill Street,  
Mellieħa, MLH 1107

### Mobile Post Office

#### Mosta

Civic Centre, Constitution Street,  
Mosta, MST 9059

#### Msida

University Campus,  
Msida, MSD 2080

#### Nadur

13, North Street,  
Nadur, NDR 1220

#### Naxxar

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

#### Paola

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

#### Pieta'

Post Office, Gwardamanga Hill,  
Pieta', PTA 1310

#### Qormi

207, Victory Street,  
Qormi, QRM 2504

#### Rabat

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

#### San Ġwann

95, Naxxar Road,  
San Ġwann, SGN 9031

#### St. Paul's Bay

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

511 St. Paul Street,  
St. Paul's Bay, SPB 3417

#### St. Julians

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

#### Sliema

118, Manwel Dimech Street,  
Sliema, SLM 1055

39, Sir Adrian Dingli Street,  
Sliema SLM 1055

#### Swieqi

Civic Centre, G. Bessiera Street,  
Swieqi, SWQ 2261

#### Valletta

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

75, Old Bakery Street,  
Valletta, VLT 1458

#### Victoria

3, Republic Street,  
Victoria, VCT 1010

#### Xagħra

132, Race Course Street,  
Xagħra, XRA 2013

#### Żabbar

Civic Centre, Convent Street,  
Żabbar, ZBR 1351

#### Żebbug

Post Office, Sciortino Street,  
Żebbug, ZBG 1962

#### Żejtun

37, St. Lucian Street,  
Żejtun, ZTN 1834

#### Żurrieq

8, St. Catherine Street,  
Żurrieq, ZRQ 1088

## Supplementary information

### MaltaPost p.l.c. Sub-Post Offices

#### Attard

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

#### Birgu

Step In,  
Victory Square,  
Birgu, BRG 1300

#### Birkirkara

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

Not Just Stationery  
Eroj Square Swatar,  
Birkirkara BKR 4253

#### Dingli

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

#### Fgura

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

#### Floriana

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

#### Għargħur

Aquavel,  
St. Bartholomew Street,  
Għargħur, GHR 1014

#### Għasri

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

#### Għaxaq

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

#### Gudja

CND Stationery  
144, Vjal it Torri  
Gudja GDJ 1704

#### Gżira

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

#### Iklin

Iklin Stationery,  
89, Ċensu Busuttil Street,  
Iklin IKL 1201

#### Kalkara

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

#### Kerċem

Kerċem Local Council,  
Orvieto Square,  
Kerċem, KCM 1360

#### Marsascala

34, Midas,  
Marsascala Seafront,  
Marsascala, MSK 2113

#### Mellieħa

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

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

#### Mqabba

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

#### Qrendi

Papel Stationery,  
Triq is-Salvatur,  
Qrendi QRD 1701

#### San Ġwann

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

#### San Lawrenz

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

#### Santa Venera

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

#### Siggiewi

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

#### Sliema

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

#### St. Paul's Bay

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

#### Tarxien

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

#### Ta' Xbiex

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 [www.maltapost.com](http://www.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 0.0026% of all mail items handled.



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