

MALTAPOST p.l.c.

Annual Financial Report and  
Consolidated Financial Statements

30 September 2023

Company Registration Number: C 22796

|  | <b>Pages</b> |
|--|--------------|
| Chairman's Report  | 1 - 2        |
| Chief Executive Officer's review of operations                           | 3 - 6        |
| Directors' report  | 7 - 18       |
| Statement of compliance with the principles of good corporate governance | 19 - 26      |
| Remuneration report  | 27 - 30      |
| Company information  | 31- 32       |
| Statements of financial position   | 33 - 34      |
| Income statements  | 35           |
| Statements of comprehensive income                                       | 36           |
| Statements of changes in equity  | 37 - 40      |
| Statements of cash flows   | 41           |
| Notes to the financial statements  | 42 - 87      |
| Five-year summary  | 88           |
| Financial highlights in major currencies                                 | 89           |
| Supplementary information  | 90 - 92      |

## Chairman's Report

During the period under review, the postal sector emerged from the challenges posed by the aftermath of the global pandemic and the fallout of the war in Ukraine. At MaltaPost, the financial year ending 30 September 2023, was one of adjustment to industry challenges and realities. A year of further changes in consumer and business behaviour resulting from an inflationary economic environment, tight labour markets and where consumers experienced a cost-of-living squeeze.

It is against this background that your Board of Directors is pleased to report a satisfactory set of results, registering a pre-tax profit of €2.3 million, an increase of €1.7m over the previous year's profits. Earnings per share rose to €0.02, allowing your Board to propose at the Annual General Meeting, a final net dividend of €0.02 per nominal share of €0.125, payable in cash or by way of scrip.

The year-on-year decline in Letter Mail volumes was exacerbated by the initiatives of local commercial entities, when stopping the posting of paper documents, citing environmental sustainability.

Notwithstanding the improvement in our profitability, our results would have improved further had it not been for the losses we incurred to fulfil a number of services within the Universal Postal Service Obligation in Malta, mainly, though not exclusively, concerning local Letter Mail.

During the financial year, some tariff revisions were finally approved by the Malta Communications Authority and accordingly implemented. According to European Union guidelines, MaltaPost is classified as an SGEI, that is a provider of Services of General Economic Interest. The EU acknowledges that: "...in today's digital world, ordinary mail continues to be replaced by digital communications. This puts a strain on the activities of postal operators, which continue to offer a service that is important for citizens". In this regard the Postal Services Directive of the EU acknowledges the differences in the postal markets of EU countries, and gives flexibility to EU member countries, allowing them to adapt elements of domestic postal services to their particular needs. Indeed, it even allows the granting of state aid to postal operators in the fulfilment of services such as the delivery of local mail.

As matters stand today, MaltaPost continues to carry an unfair financial burden especially in the case of delivery of local mail. Despite the recent tariff adjustments, the domestic postal service tariffs in Malta remain the lowest in Europe. While MaltaPost is not seeking state aid, it however should not be expected to subsidise certain loss-making services.

The postal service in Malta continues to play a central role in the daily life of the community and contributes positively to the national economy. However, persistently rising labour costs, our major expense force MaltaPost to request revision of tariffs, and this in spite of significant cost-cutting exercises. In this regard, we are in discussions with the Regulator so as to arrive at an Automated Tariff Adjustment Mechanism establishing a price cap per postal service falling under the Universal Service. Once implemented, this mechanism should go a long way to ensure that MaltaPost does not suffer financially to deliver any service provided under the Universal Service Obligation.

In 2023, the Company continued to manage costs while transforming itself to meet the evolving demands of the domestic and international parcels and packets business. To this effect, critical changes were made to our Letter Mail and parcels flows to render our last mile delivery more efficient. The parcel and e-commerce business continue to drive our strategy for growth where we see significant potential. Further IT investment shall continue to allow the Company to keep in step with both the postal services industry worldwide as well as the demands and expectations of consumers.

As a company listed on the Malta Stock Exchange, we reaffirm our determination to continue providing an efficient and quality postal service to the nation-wide community, a fair return to our circa 1,900 shareholders and a secure and a fulfilling workplace for our 763 staff members.

## **Chairman's Report - continued**

We are well positioned to progress our diversification strategy and shall continue to invest in both the Life and General insurance sectors. Of course, the investments in insurance require time and regular capital injection before yielding a return. We also remain on the lookout for other investment opportunities as they arise and as part of our business diversification plan.

Concurrently, we are ensuring that robust foundations are laid to meet our Environmental, Social and Governance obligations. We are today the proud owners of over 120 electric vehicles thereby reducing emissions by significant margins, in our last mile delivery.

To conclude, my fellow directors join me in expressing gratitude to the management team and all Group staff members for their dedication and good work. Thanks, are also due to fellow Directors for their valued contribution throughout the year, as well as to the shareholders and customers for the steadfast support, continued loyalty.

We strongly believe that the Group shall continue to be resilient when faced with the evolving economic and market realities. We shall remain alert and agile to respond to sensible business opportunities that arise, so as to further strengthen shareholder value year after year.

Joseph Said

Chairman

## Chief Executive Officer's Review of Operations

The results of the MaltaPost Group for the financial year ended 30 September 2023 include the financial performance of MaltaPost p.l.c., together with its subsidiary and associate companies.

### REVIEW OF FINANCIAL PERFORMANCE

Financial Year 2023 was one of business transformation. We made significant changes to our last-mile delivery process as we continued with our investment in electric vehicles, rendering our network more agile and to the expectations of our clients and partners. We also stayed focused on managing costs. We strengthened our cross-border parcel delivery business and our international activity - both outside the Universal Service Obligation (USO). It is these and other non-postal services that continue to provide reasonable margins.

Group Profit Before Tax for the financial year ended (FYE) 2023 amounted to €2.32 million (2022: €0.64 million). While the Company continues to carry an unfair financial burden by subsidising a number of regulated postal services within the Universal Service Obligation, minimal gains were registered within this segment at close of this financial year. The tariff revisions announced by the Malta Communications Authority and implemented in October 2022 and August 2023 respectively were tardy and did not adequately compensate for the losses incurred to deliver select postal services. Some of these services remain loss-making as the tariffs to date simply do not cover the full cost of providing them. Despite the tariff adjustments implemented during the last financial year, the domestic postal service tariffs in Malta remain the lowest in Europe.

The Group's profit for this year includes its share of loss of €0.37 million (2022: €0.42 million) in IVALIFE Insurance Limited, in which company we hold a 25% investment. Being a start-up, the Company will move into profit once initial set-up costs are absorbed and further market share is gained. This is in line with projections as the nature of an investment in life insurance is not one of short term.

Group Total Revenue rose by 26% to €39.61 million (2022: €31.51 million) following an increase in the Company's international business activity. Postal revenue contributed 87% (2021: 83%) of total revenue, while non-postal revenue from other lines of business including document management, bill collection, financial services and general insurance stood at 13% (2022: 17%).

Group Total Expenses rose by 20% to €37.09 million (2022: €30.80 million) in line with an even higher percentage increase in Group Total Revenue. This was primarily driven by higher international postal tariffs payable to postal operators at destination as imposed by the Universal Postal Union, coupled with the general impact of inflation. However, during the year significant cost-reduction initiatives were implemented. In fact, the total labour cost fell by 2.4% to €15.06 million (2022: €15.43 million) notwithstanding the Cost-Of-Living Adjustment (COLA) increase of €9.90 per week with effect from 1 January 2023.

### OPERATIONAL PERFORMANCE

Subdued retail growth and declining revenue within our network has compelled us to review our Post Office and last-mile delivery network strategies. Our business transformation, largely placed on hold during the pandemic, was resumed in earnest. Cost management and cost-efficiency efforts continued with special emphasis on labour costs. In terms of the Post Office network, we are focusing on optimising our cost structures and finding other ways how to increase revenue within the same network. We also continued our investment focus to re-engineer our operational and last-mile delivery processes so as to improve efficiency and increase capacity. Improving productivity by the optimisation of our last-mile delivery profile, while also boosting parcel volumes, are among our major priorities. To cope with the year-on-year diminishing Letter Mail volumes, we are also reorganising the last-mile delivery by combining Letter Mail and select parcel delivery, into one stream.

## Chief Executive Officer's Review of Operations - continued

Our investment in digital transformation continued as we facilitate online public access to our products and services and as we strive to meet the ever-growing local and international e-commerce customer expectations. We have also sought to improve customer experience and satisfaction by the implementation of a Delivery Logistics Platform that provides real-time scanning of tracking events and electronic proof of delivery, while also updating customers on the status of their e-commerce package. Enhancing the customer experience remains a priority.

The obligations of the Universal Postal Service have for years been conditioned by the year-on-year decline in the Domestic, Inbound and Outbound traditional Letter Mail volumes - a decline that was further accelerated during this year as a consequence of the various initiatives taken by both public and private corporates to increase digitisation and e-substitution.

We see opportunities to gain further market share in reverse-logistics through partnerships with international consolidators and retailers while enhancing our cross-border offering to better align ourselves to current market expectations.

Inbound e-commerce mail volumes have stabilised and during the latter part of the year showed positive signs as more customers are becoming aware of the services that facilitate cross-border e-commerce for purchases made from outside the EU. These include the Import One-Stop Shop and Delivery Duty Paid schemes. Inbound e-commerce business continued to attract strong local and international competition, creating constant pressure on tariffs and quality of service requirements, although very often we were competing on a non-level playing field given that regulatory enforcement is weak. This situation remains compounded by the relatively low barriers to entry, the attractiveness of the year-on-year growth in e-commerce volumes and the presence of competitors that are free of regulatory obligations. However, we remain committed to be the partner of choice and in this regard, we are regularly reviewing our processes to meet the ever-increasing demands and expectations of our customer base.

A further 40 new electric vehicles were acquired during the year and others are expected to be delivered during 2024. We completed the 'one-delivery' initiative in the South-Eastern and Southern Harbour areas of Malta reaching 100% zero emissions for last-mile delivery in those areas. This investment also results in less physical strain for our staff members in line with our effort to consistently improve working conditions.

With 763 members of staff, MaltaPost is one of Malta's largest employers, with over 25% of staff being non-Maltese speakers. We remain committed to maintain a positive workplace environment that encourages and supports the right to dignity at work. We champion best practices and a safe, harmonious workplace grounded in a culture of mutual respect and understanding despite any language and culture differences that may exist.

Our growth and operational performance depend on our ability to attract and retain staff holding the appropriate level of skills, knowledge, and experience. We strive to remunerate staff members fairly while meeting their general work-life balance expectations. Although remuneration packages are annually improved, due to the general inflationary economic situation, we still face challenges to recruit within an intensely competitive labour market.

We are in discussions with the Malta Communications Authority on a Automated Tariff Adjustment Mechanism establishing a fair and timely price cap per postal service falling under the Universal Service Obligation. This proposed mechanism should go a long way to ensure that tariffs are aligned with the real cost of providing each single service within the Obligation. Its implementation should also ensure that the Company does not suffer financially when delivering any service within the Universal Service Obligation. Such implementation should also serve to protect both the short and long-term financial viability of the Universal Postal Service.

## Chief Executive Officer's Review of Operations - continued

Our network has reached 41 Post Offices supported by 25 Sub-Post Offices. A good number of our Post Offices also offer a free-of-charge EasiPik parcel collection locker service from 25 distinct locations, available 24/7 across Malta and Gozo.

Upon authorisation by the Malta Financial Services Authority to act as a Tied Insurance Intermediary for both Postalnsure Agency Limited, for the General Insurance business and for IVALIFE Insurance Limited for the Life Insurance business, we opened our first insurance office within our Head Office in Marsa. Concurrently, a number of staff members received the necessary regulatory training so as to transact insurance business. This new service allows the Company to holistically meet its customer requirements and expectations.

### ENVIRONMENT, SOCIAL and GOVERNANCE

The Group reaffirms its full commitment towards maintaining the necessary environmental, social and governance values. We have recognised the need to incorporate climate change, sustainability and social well-being values within our vision, operations, the entire value chain and most importantly in the way we do business. Throughout this year, we have increased efforts to minimise our environmental impact as we create a more inclusive and safer workplace.

We remain committed to reduce our carbon emissions and improve air quality by further expanding our fleet of electric vehicles and optimising our delivery routes. Other measures included better management of electrical consumption, rendering our systems more efficient and improving the efficiency of our existing photovoltaic system.

As part of our commitment towards sustainability, in September 2023 MaltaPost joined the International Post Corporation's Sustainability Measurement and Management System program. The program aims at managing sustainability and is focused on reducing the collective carbon footprint of the postal industry through both qualitative and quantitative assessments.

The focus on environmental matters did not in any way affect the Group's effort its social value philosophy. Besides further investment in the educational development of our workforce, improvements in safe work practices and investment in health and safety equipment have given us the desired results.

During this year, we continued extending our support to several social organisations, most notably the Malta Community Chest Fund, Dar tal-Providenza, Malta Hospice Movement and Inspire. Besides philanthropic support, the Group continued with its endeavour to preserve Malta's postal heritage through support extended to the Malta Postal Museum via the 'Fondazzjoni Mużew tal-Posta'. This continued support evinces our resolve to protect and promote the postal heritage and history of the Maltese Islands.

### OUTLOOK

As the postal sector emerges from the challenges posed by the aftermath of the global pandemic, the fallout of the war in Ukraine and the political decisions and regulatory changes affecting the industry, we are positively optimistic that despite these, e-commerce traffic will continue to steadily increase over the next five years. Consequently, we shall continue to maximise all possible growth initiatives through direct partnership with international e-sellers and consolidators and better integration with e-commerce sites, in order to increase revenue, while concurrently providing an efficient last-mile delivery parcel service. On the other hand, traditional Letter Mail is expected to maintain its year-on-year decline at a higher annual pace than that experienced so far. This reality reaffirms our strategies to create a more agile and responsive company that is fully prepared to deliver the expected increases in parcel volumes.

### **Chief Executive Officer's Review of Operations - continued**

We are reasonably confident that the Malta Communications Authority shall agree to the Automated Tariff Adjustment Mechanism. This will allow the Company to continue to invest in its USO business processes and this for the benefit of the community at large.

We plan to widen our business diversification programme with special focus on General and Life insurance services as we prepare to offer these services through our network. We are also confident that our focus on logistics, coupled with our diverse endeavours in document management and financial services augur well for the future. We will continue to seek new sensible investment opportunities as part of our business diversification plan, while remaining the trusted postal and logistics partner of choice offering a comprehensive product portfolio.

The Group remains determined to provide a satisfactory return to its shareholders, a quality service to its customers and fair and reasonable working conditions to all its staff. We are also confident of the Group's financial prospects, going forward.

I wish to express my thanks to the Chairman, the Executive Director and the members of the Board of Directors for their support and strategic guidance; our management team and staff for their commitment and dedication; and our shareholders and customers for their continued trust.

Joseph Gafa'

Chief Executive Officer

## Directors' report

The Directors present their annual financial report and the consolidated audited financial statements of MaltaPost p.l.c. and its subsidiaries for the year ended 30 September 2023.

### PRINCIPAL ACTIVITIES

The MaltaPost Group (the Group) comprises MaltaPost p.l.c. (the Company/MaltaPost) and its subsidiary companies, Tanseana Limited (Tanseana), CIABRO Limited (CIABRO), Postalnsure Agency Limited (Postalnsure), and its associate company IVALIFE Insurance Limited (IVALIFE).

MaltaPost p.l.c. was registered in 1998 and listed on the Malta Stock Exchange (MSE) in 2008. The Company is a public limited liability company under the provisions of the Companies Act (Cap. 386).

As the designated Universal Postal Service Provider in Malta, MaltaPost provides a series of universal postal services under the Postal Services Act (Chapter 254 of the Laws of Malta) under the auspices of the Universal Postal Union on behalf of the Government of Malta. MaltaPost is regulated by the Malta Communications Authority (MCA). The Company operates a network of 6 Postal Hubs, 41 Post Offices and 25 Sub-Post Offices around Malta and Gozo providing an extensive range of postal and financial services.

Tanseana, a company wholly owned by MaltaPost, was registered and commenced operations in 2016. The company was established to provide document management services and to carry out such services which include, but are not restricted to, scanning, printing, shredding, storage and retrieval of digital and/ or physical documents.

CIABRO, a company wholly owned by MaltaPost, provides warehousing services.

Postalnsure, a company 49% owned by MaltaPost p.l.c. was granted enrolment in the agents list to act as an insurance agent under Article 13 of the Insurance Intermediaries Act (CAP 487).

IVALIFE, a company 25% owned by MaltaPost p.l.c. was licensed on 1 February 2021 to provide Class I and Class III long term business of insurance.

### REVIEW OF PERFORMANCE

Group profit before tax for the financial year ended (FYE) 30 September 2023 amounted to €2.32 million (2022: €0.64 million), resulting in Earnings of €0.02 per nominal share of €0.125.

Financial Year (FY) FY2023 was one of business transformation. We continued investing to render our last mile delivery more agile and efficient whilst further managing costs. We also strengthened our parcel delivery business and our international business outside the Universal Service Obligation (USO). Following the loss of €0.5 million incurred during FY 22 to deliver the Universal Postal Service Obligation, select tariff revisions were approved by the MCA and implemented. These tariff revisions left a positive impact on the financials of the Universal Service and minimal profits were registered within this segment of the business as at 30 September 2023. Although no longer loss making, MaltaPost still does not make a just and fair return as the provider of the USO in Malta and in line with extant MCA regulatory decisions. In fact, the Company continues to carry an unfair financial burden by subsidising select postal services within the same USO. It is also pertinent to point out that the Universal Service Obligation is a service of general economic interest and despite the tariff adjustments implemented during FY 2023, the domestic postal service tariffs in Malta remain the lowest in Europe. During the past FY, the Company started discussions on an Automated Tariff Revision Mechanism in order to reflect the true cost of delivering each service provided under the USO.

## **Directors' report** - continued

Group Total Revenue rose by 26% to €39.61 million (2022: €31.51 million) following an increase in the Company's international business activity. Postal revenue represented 87% of total revenue, while the remaining revenue balance stemmed from the provision of non-postal services including document management, bill collection and financial services.

Group Total Expenses increased by 20% to €37.09 million (2022: €30.80 million) as expected in this line of business following the significant increase in Total Revenue. Increased business coupled with higher cost of Terminal Dues and the general impact of inflation were the biggest cost drivers. Following improvements in our last mile delivery, employee costs decreased by 2.4% to €15.06 million (2022: €15.43 million).

### *Remuneration Policy*

Details of total employee expense for the FY 2023 and the average number of persons employed by the Company (including part-timers), during the year is included in Note 22 to the financial statements.

Information on the Company's Remuneration Policy and practices is disclosed in the Remuneration Report within the Annual Financial Report on page 27. The Remuneration Report will be subject to an advisory vote at the forthcoming Annual General Meeting.

## **NON-FINANCIAL INFORMATION**

The Maltese Companies Act requires that a non-financial statement be included in this report containing information on the Group's development, performance, position, and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and this in the form of particular disclosures on certain aspects.

Information in respect of the above matters is also disclosed within the Directors' Report in the Annual Financial Report and Financial Statements of the Company's parent, Lombard Bank Malta p.l.c.

MaltaPost p.l.c. is subject to the Non-Financial Reporting Directive, 'NFRD' and is therefore also subject to disclosure requirements stemming from the Delegated Act supplementing Article 8 of the Taxonomy Regulation. However, given that MaltaPost is consolidated at the level of its parent entity, the Company is availing itself of the exemption from such disclosure requirements given that Lombard Bank Malta p.l.c. complies with the requirements of the Disclosure Delegated Act.

Nevertheless, the Group remains fully committed to remain a business which focuses on keeping customer, social, and environmental values at the top of its agenda. With the increase in relevance to matters associated with environment, social and good governance (ESG), our strategic focus has been widened to guarantee a business approach which is sustainable along the entire value chain. As one of Malta's largest employers, operating a substantially large fleet of vehicles and an extensive Post Office Network, MaltaPost recognises the need to incorporate such values within its vision, operations and way of conducting business. In its strategy, the Company has placed the three ESG pillars as an integral part of its corporate responsibility and integrated them into the business decision making process and the Annual Risk Management Review.

Further demonstrating its commitment towards sustainability, in September MaltaPost officially joined the International Post Corporation's (IPC) Sustainability Measurement and Management System (SMMS) programme. The programme aims at managing sustainability and plans to reduce the collective carbon footprint of the postal industry through both qualitative and quantitative assessments.

Through such a pragmatic stance, MaltaPost believes that it can be a driver for change and a valid contributor to the society now and the future.

## Directors' report - continued

### Environmental

#### Climate Change & Air Pollution

MaltaPost is aware of its impact on the environment and for the past years has been taking action to reduce its greenhouse gas (GHG) emissions and to reduce the carbon footprint through the investment in a 60.48 kWp Photovoltaic system in 2012 and later in 2017 with the decision to commence the transition to electrifying the last mile delivery fleet. Besides the positive impact through the improvement of its environmental credentials, the Company firmly believes that such measures will mitigate climate risks whilst also providing an opportunity towards managing costs and optimising its postal delivery routes.

#### Electrifying the Last Mile Delivery Fleet of Vehicles

Up until the Company's decision to start transitioning its last-mile delivery to electric, MaltaPost last-mile mail delivery was carried out through a mobility mix of foot, motorcycles, light cars, and medium and large sized vans. The fleet electrification project named 'One Delivery', is also intended to merge letter mail and small and medium parcel deliveries into one, using a Micro Logistics Electric Vehicles (MLEV) which has a sufficient carrying capacity to carry both letters and parcels.

The use of non-alternative fuelled vehicles shall lower Scope 1 emissions.

By the end of Financial Year 2026, MaltaPost is planning to operate 200 non-alternative fuelled vehicles that will have replaced, at least, eighteen (18) parcel delivery vans and all sixty-nine (69) motorcycles. Such an increase in alternative fuel powered vehicles will see the annual reduction of approximately 5,536kg of CO<sub>2</sub> per van per year and 363kg of CO<sub>2</sub> per motorcycle per year which approximately translates to a projected total reduction of 120,000kg of CO<sub>2</sub> on completion of the project.

| Financial Year                         | 2021 | 2022 | 2023 |
|--|------|------|------|
| <b>Non-Alternative Fuel Vehicles</b>   | 152  | 148  | 125  |
| <b>Alternative Fuel Vehicles (AFV)</b> | 72   | 113  | 131  |
| <b>Percentage of AFVs</b>              | 32%  | 43%  | 51%  |

#### Energy and Resource Efficiency

MaltaPost plans to continue to take the necessary steps to improve its energy and resource efficiency performance through prioritising clean and renewable energy, replace electrical equipment with better energy efficient systems and to reduce, as much as possible, the use of water while exploring viable economic ways to save rainwater.

The buildings and facilities used by the Company are an important aspect in the Company's focus in reducing the consumption of purchased electricity (Scope 2). The Company continues to reap benefits from the past investment in renewable energy and energy efficient systems.

With the intent of also filtering down the Company's commitment towards a cleaner and more sustainable environment, company guidelines on energy efficiency were promulgated to all its employees. The guidelines mainly targeted the use of electricity, cooling and heating, machinery, and vehicles. The Company aims towards introducing yearly information sessions and online campaigns to its employees to further educate the workforce on their individual responsibilities towards climate change mitigation.

**Directors' report** - continued

| Financial Year  | 2021      | 2022      | 2023      |
|---|-----------|-----------|-----------|
| <b>Total Non-Renewable Electricity Consumed (kWh)</b> | 1,215,301 | 1,293,613 | 1,165,058 |
| <b>Total Renewable Electricity Consumed (kWh)</b>     | 35,027    | 29,702*   | 43,072    |
| <b>Water Withdrawal (m<sup>3</sup>)</b>               | 3,746     | 3,359     | 5,393     |
| <b>Scope 1 Emissions (Tonnes CO<sub>2</sub>)</b>      | 515       | 454       | 418       |
| <b>Scope 2 Emissions (Tonnes CO<sub>2</sub>)</b>      | 446       | 489       | 440       |

\* The drop in electricity generated from the PV system is attributed to damage sustained to two (2) inverters

The electrification of the fleet, route optimisation, investment in renewable energy and energy efficient systems shall remain the primary targets which will help the Company align itself with sustainability targets set by the IPC's SMMS programme to further align MaltaPost's scope 1, 2 and 3 emissions with the 1.5°C reduction approach of the Paris Agreement and possible future targets set by Government.

*Waste Management & Circular Economy*

During this financial year, MaltaPost issued a waste management directive based on the 3Rs principle (Reduce, Reuse and Recycle) with its focus being to ensure waste separation is carried out at source, reduce the amount of mixed waste, and start taking measurement data so that targets can be set.

In addition to the waste management directive, the implementation of a new procedure for the disposal of waste was introduced in all the Company's centres aimed at driving a cultural change in the employees' habits in waste separation and aligned with waste separation compliance rules set by the Government this year. Although it is assessed that MaltaPost business model has minimal impact on resources, the Company shall endeavour in extracting more value from its products in order to support the principles of a circular economy.

*Social*

The Company is aware that a professional approach to appointments within the Company helps it to attract those individuals having the necessary qualifications, skills and attributes compatible with achieving its overall objectives.

Thus, the Company ensures that appointments at all levels are based on each individual's knowledge, skills, expertise and merit, as required by Maltese legislation and in line with industry best practices.

Bearing its objectives in mind, the Company acknowledges the benefit of appointing directors with diverse skills, backgrounds and expertise that enable the Board to create additional value for shareholders by ensuring that the business objectives are balanced against the general and specific risks faced in line with the Board's risk appetite. The Company will continue to promote such diversity for any vacant board positions that may arise from time to time.

The Company is confident that having taken cognisance of its specialised line of business, size and business model, and in light of the fact that the Company is controlled by Lombard Bank Malta p.l.c., it benefits from satisfactory diversified views and expertise which allows for a good understanding of global and regional affairs, the business environment in which the Company operates and the short and long-term risks and opportunities related to the Company's business.

The Company remains committed to achieving further diversity among its Board members.

## **Directors' report** - continued

### *Own Workforce*

The ever-changing postal landscape is bringing about substantial challenges but also a number of opportunities. Operating in such a dynamic landscape, keeping customers and the workforce at the core of its business decisions enables the Company to better improvise and adapt to maintain a sustainable investment in human capital and improve efficiency in its operations.

The four social pillars being assessed as being essential in reaching desired aims and targets are:

- Remain an equal opportunities employer whilst maintaining a work environment which is free of any form of discrimination.
- Sustain high health and safety standards for all employees.
- Invest in further education and training of staff.
- Extend philanthropic support whilst also promoting postal heritage through the Postal Museum Foundation.

### *Equal Opportunities and Working Conditions*

The Company firmly believes that providing a work environment that promotes non-discrimination, inclusivity and well-being shall attract talent and help the workforce in achieving maximum potential. Complementing this is the Collective Agreement covering 2019 till 2024 which focuses on creating the right environment for better working conditions. The importance of measuring employee satisfaction shall also serve the Company as a guiding tool for evaluating its relationship with its employees. The latest internal Employee Survey was concluded in May 2023.

The Company remains fully committed to ensure that equality, diversity and non-discrimination remain values of huge importance. Over the past years the Company has invested and put in place a number of policies that ensure that protection against harassment, bullying, discrimination and equality are respected. The target of maintaining the Equality Certification Mark in recognition to the Company's non-discriminatory values remains a priority target.

The Company also values the fact that it is at the forefront through the employment of persons with different abilities which approximately account for over 11% of the existing workforce. Whilst the Company is proud to have surpassed both the national average and the legal obligation of 2% of employees set under the Persons with Disability Act, MaltaPost remains committed to maintain this employment mix.

### *Health & Safety / Wellbeing*

The health, safety, and wellbeing of all MaltaPost's employees remains a top priority in view of it being identified as a matter of high materiality. Safety hazards emanating from our business model have potential to create risk to our postal operators and delivery personnel. With the intent of providing a safe and secure environment, MaltaPost carries out constant assessments, training and guidance at all levels on various topics including mental wellbeing.

Through rigorous policies and procedures and notably the replacement of motorcycles with four wheeled electric vehicles, the Company's number of working hours lost has decreased.

## Directors' report - continued

MaltaPost shall remain committed to continue ensuring provision of the highest safety standards and safe environments to its employees, contractors and the public in accordance with the Occupational Health and Safety Authority Act (Cap.424 of the Laws of Malta).

### *Learning and Development*

The investment in human capital was and remains a fundamental pillar in having a sustainable workforce that is rightly equipped with the necessary tools and knowledge to carry out assigned tasks efficiently. To this aim, MaltaPost commits to continue investing in developing the skills of its workforce through both inhouse and external training.

In view of the nature of MaltaPost's line of business, the development of skills commences very early for employees especially in the operational units. The training continues to develop through internal and on-the-job training which progressively escalates in accordance with the professional development and advancement in career. Building further on what was done in the past and progressively increasing the number of training hours at all professional levels remains the Company's target.

| <b>Financial Year</b>                                       | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|---|-------------|-------------|-------------|
| <b>Total Number of Employees (FTE)*</b>                     | 770         | 689         | 701         |
| <b>Employee Turnover (number of employees)</b>              | 188         | 211         | 192         |
| <b>Total Lost Time Injuries (LTI) (Number of employees)</b> | 64          | 57          | 37          |
| <b>Total Working Hours Lost (number of hours)</b>           | 3,416       | 2,747       | 1,904       |
| <b>Total Training Hours</b>                                 | 3,336       | 4,218       | 5,306       |

### *Consumers and End Users*

MaltaPost's mission statement is fully customer centric and places the customer at the centre of every business decision made. Providing customer value is a major driver in the execution of the Company's business decisions. Whilst investment in technology that measures the satisfaction level of services provided has been made, MaltaPost is aware that further investment in digital solutions that facilitates customer interactions including the possibility of having sustainable delivery options are areas that require further study.

Working in tandem with digital innovation, we are working hard to improve our Quality of Service (QoS) standards as we benchmark ourselves against the targets set by both national and international regulatory bodies. Despite the challenges faced and the market pressures experienced due to quasi full employment, the intent of reaching pre-COVID QoS standards remains.

The goal of delivering a high-quality and reliable delivery service remains central to MaltaPost's business success and several policies and controls ensure that the vast majority of deliveries and services we provide are successful and timely. Service difficulties are sometimes encountered, the Company's aim to find appropriate solutions is key and an integral part of customer care activities. Whilst complaints have progressively decreased since 2019, MaltaPost's target of further reduction in customer dissatisfaction is affirmed.

## **Directors' report** - continued

Besides the workforce and customers, MaltaPost's philosophy on social value extends beyond and the Company remains committed towards extending its support to various social and cultural organisations. The preservation of culture and history also remains at the forefront of MaltaPost's sustainability vision. The management of the Malta Postal Museum through the 'Fondazzjoni Muzew tal-Posta' helps preserve and promote Malta's postal heritage for the benefit of the society and future generations.

### Governance

#### *Business Conduct*

Good governance is important in helping MaltaPost achieve its goals whilst ensuring a resilient and transparent organisation. The Company shall remain totally committed towards the values of integrity, transparency and honesty and acts in a manner which is professional and diligent to help it exercise business judgement in a way that benefits the interest of the same Company and all its stakeholders. Several wide-ranging policies on corporate governance ensures that business best practices are steadily applied in all business decisions made.

MaltaPost recognises the importance of having policies, which cover issues related to fraud prevention, anti-bribery and anti-corruption, in place. The Company's commitment towards adopting a zero-tolerance policy towards bribery and corruption remains and endeavours in having the necessary controls in place to mitigate associated risks. Also notable is the introduction of the Whistleblowing Policy as an essential part of the Company's strategy to mitigate business malpractices and possible unethical behaviour from within. This also applies to other financial crimes especially, money laundering and terrorist financing, where also specific and specialised training is provided to employees within our Post Office network who are exposed to financial crimes of this nature.

It is planned that MaltaPost's governance structure demonstrates how sustainability is integrated at all levels of decision making and also to enable the measurement of performance to meet commitments. The Company aims at continuing to monitor its governance approach to support the embedding of sustainability and meet reporting requirements as necessary.

#### *Sustainable Procurement*

In view of its diverse supply base to support the business operation and to provide the products necessary to meet our customers' needs, MaltaPost aims to introduce sustainability in its procurement process using a phased approach leading to the creation of sustainable procurement policy including the creation of a supplier sustainability questionnaire focusing on work practices, health and safety, environment and business conduct.

The desired end-state of having a robust sustainable procurement ensures that MaltaPost can further commit towards responsible business conduct and sustainable supply chain practices.

Further information in respect of these matters is disclosed within the Directors' Report in the Annual Financial Report and Financial Statements of the Company's parent, Lombard Bank Malta p.l.c. in terms of paragraph 10 of the Sixth Schedule (Article 177) of the Companies Act Cap. 386.

## Directors' report - continued

### PRINCIPAL RISKS AND UNCERTAINTIES

#### *Providing a profitable USO service / accelerated letter mail e-substitution and digitisation*

MaltaPost p.l.c. is the designated Universal Postal Service Obligation provider in Malta. It is responsible to deliver various postal services to the general public including the clearance and delivery of letters and packages six days a week both domestically and internationally even when the costs involved render such select services of general economic interest not financially viable. Although significant improvements have been made when compared to the previous financial year, the financial challenge to deliver the USO at a reasonable profit persists. Select tariff revisions are still far off from giving a fair and equitable profit as they do not reflect the true cost of providing such services. The year-on-year decline in Letter Mail volumes and the rise in inflation gives the Company added impetus to rightly demand to be adequately compensated for providing a service of general economic interest at a commercially reasonable profit.

Volume declines that are expected to persist and mainly attributable to e-substitution and the accelerated post-pandemic push towards the digitisation of several services and correspondence.

It is with these challenges and others in mind that MaltaPost shall remain vigilant in implementing the necessary mitigation measures to concurrently address the provisions of having a postal service that is financially sustainable and ready to respond to an ever-changing landscape.

#### *Intensifying competition*

Extreme competition in the eCommerce market (and particularly the local and inbound parcel business) coupled with the ever-evolving customer trends, places significant pressures on tariff rates. The volume increases in eCommerce business and the relative ease of entry into this line of service has made it particularly attractive to competitors who are unburdened by regulatory and universal service cost obligations.

Amid all these challenges, MaltaPost is still expected to reach QoS targets that are set by the National Regulator as established in the Postal Service Act (Cap. 254 of the Laws of Malta). Regular Quality Assurance and monitoring is carried out by Independent Third Parties and by the National Regulatory Authority (Malta Communications Authority) to ensure that deliveries of postal articles falling under the Universal Service Obligation are delivered within a specific and very short timeframe. Besides local targets, MaltaPost is also bound by other QoS targets set by international postal organisations to also ensure that the Universal Service Obligation is also respected on an international level. It is fair to point out that that MaltaPost's national QoS targets remain among the highest in the European Union whilst local postal tariffs remain one of the cheapest.

#### *Inability to maintain staff resourcing in line with business needs*

Exigencies tied to business growth and QoS standards requires a well-trained workforce that rises to the operational challenges surrounding the timely and efficient delivery of postal items. Over the past few years MaltaPost has experienced difficulties in recruiting and retaining personnel, the latter having the biggest impact since this generally involves postal operators who have been trained and possess a high level of experience. As time passes the situation is becoming more challenging and is placing unnecessary wage pressures emboldened by labour shortages and rising inflationary costs.

To mitigate the risk, the Group has put measures in place to establish a framework that addresses the social wellbeing of its workforce through flexible and more favourable working conditions supported by an adequate salary and allowance package.

## **Directors' report - continued**

### *Legislative and/or Regulatory Repercussions*

The Group continues to endeavour in ensuring compliance with a wide and diverse set of laws and regulations. It is likely that compliance and regulatory requirements are set to increase in view of the Group's aim to diversify its line of business in highly regulated industries such as Insurance and upcoming sustainability regulations that will come into force in the coming years. Failure to comply with such regulations may translate into regulatory scrutiny, liabilities for both the Company and its Directors as well as reputational damage.

Notwithstanding this regulatory landscape, MaltaPost continues to play a central role in the Maltese economy and in the daily life at the heart of the community.

### *Financial Risk Management*

The Company's activities potentially expose it to a variety of financial risks, most notably market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit and liquidity risk. Through its overall risk management framework aimed at also covering risk exposure for its subsidiaries, focuses on the unpredictability of financial markets, the Company seeks to minimise potential adverse effects on its financial performance.

The Audit and Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the Committee provides principles for overall risk management, as well as risk management policies in line with the risk appetite covering the risks referred to above. A detailed review of the financial risk management policies employed by the Company is included in Note 2 to the financial statements.

## **RESULTS AND DIVIDENDS**

The income statements are set out on page 35. The Directors recommend the payment of a final net dividend of €0.02 per share amounting to €1,506,000 (2022:€1,506,000).

## **CAPITAL**

The Authorised Share Capital of the Company was fourteen million euro (€14,000,000) made up of one hundred and twelve million (112,000,000) ordinary shares of a nominal value of €0.125 each. The Issued and Fully Paid Up Share Capital was nine million, six hundred and eighty nine thousand, (€9,689,000) made up of seventy-seven million, five hundred and twelve thousand, and twenty (77,512,020) ordinary shares of a nominal value of €0.125 each, all of one class.

## **Directors' report** - continued

### **BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT**

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

Joseph Said (Chairman)  
David P. Attard  
James Dunbar Cousin  
Graham A. Fairclough  
Eugenio Farrugia  
Paul Muscat  
Aurelio Theuma

In accordance with the Company's Articles of Association, a member of the Company holding, or number of members, who between them hold, such number of equity securities having voting rights as may be sufficient to constitute one or more qualifying holdings, shall be entitled to appoint one (1) director for every qualifying holding held. Other members shall be entitled to participate and vote in an election of directors to take place once in every year at a general meeting of the Company. Unless appointed for a longer or shorter period, or unless they resign or are removed, directors, unless otherwise specified in the letter of their appointment, hold office for a period of one year. Notwithstanding the period for which a director has been appointed, on the lapse of such period a director will be eligible for re-appointment. An election of directors shall take place every year, if there are vacancies on the board which are not filled by the appointment of directors by the member holding, or number of members who between them hold, such number of equity securities having voting rights as may be sufficient to constitute one or more qualifying holdings. The composition of Officers and Senior Management is further disclosed under section 'Company Information'. Further information is also given in the 'Statement of Compliance with the Principles of Good Corporate Governance'.

### **DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS**

The Directors are required by the Maltese Companies Act (Cap. 386) 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 Maltese Companies Act (Cap. 386). 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 2023 are included in the Annual Financial Report 2023, which is published on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Financial Report on the website in view of their responsibility for the controls over, and the security of the website.

## **Directors' report - continued**

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.

### **STATEMENT OF THE DIRECTORS PURSUANT TO CAPITAL MARKETS RULE 5.68**

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 2023, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Financial 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.

### **INFORMATION PROVIDED IN ACCORDANCE WITH CAPITAL MARKETS RULE 5.70.1**

There were no material contracts to which the Company or any of its subsidiaries were a party, and in which any one of the Company Directors was directly or indirectly interested, except for transactions listed in the notes to the financial statements.

### **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.

### **CAPITAL MARKETS RULES DISCLOSURES**

In terms of the Capital Markets 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 (Cap. 386). Furthermore, in terms of the Articles of Association of the Company:

- (a) Directors may be authorised by the Company to issue shares subject to the provisions of the Memorandum and Articles of Association and the Companies Act (Cap. 386);
- (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.

### **Directors' report** - continued

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

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

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

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

The only shareholder holding 5% or more of the Issued Share Capital of the Company is Redbox Limited which owned 71.5% as at 30 September 2023 and 13 November 2023.

### **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.

*Signed on behalf of the Company's Board of Directors on 19 December 2023 by Jospeh Said and Aurelio Theuma as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2023.*

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

19 December 2023

## **Statement of compliance with the Principles of Good Corporate Governance**

As a company having its securities admitted to trading on a regulated market, MaltaPost p.l.c. is obliged to report on the extent to which it has adopted 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 Capital Markets Rules. The Board also carries responsibility for Good Corporate Governance and in this connection has prepared a review of the Company's Compliance with the code for the Financial Year ended 30 September 2023. 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 six (6) Directors, six (6) of whom are non-executive. Five (5) of the Directors are employed with the ultimate parent Company. While the Board of Directors is elected by the shareholders as stipulated in the Company's statute, the Chairman is elected by the Directors from amongst themselves during the first Board Meeting following the Annual General Meeting. Any Director (other than an alternate Director) may in writing appoint any person who is approved by the majority of the Directors, to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present.

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 Committee, the Assets and Liabilities Committee and the Remuneration Committee, all of which are regulated by their own terms of reference as approved by the Board of Directors. Further details regarding the Board Committees are found under Principle 8 below. 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 intended 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. This separation of roles is meant to ensure that no one individual or small group of individuals have unfettered powers of decision.

### PRINCIPLE 3: COMPOSITION OF THE BOARD

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

|                      | First appointment date |
|----------------------|------------------------|
| Joseph Said          | 18 August 2006         |
| David P. Attard      | 16 January 2015        |
| James Dunbar Cousin  | 27 February 2018       |
| Graham A. Fairclough | 27 February 2018       |
| Eugenio Farrugia     | 1 October 2016         |
| Paul Muscat          | 15 November 2017       |
| Aurelio Theuma       | 8 October 2007         |

Joseph Said is an Executive Director of the ultimate controlling shareholder, while David P. Attard, Graham A. Fairclough, Eugenio Farrugia 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. James Dunbar Cousin and Paul Muscat are considered to be independent non-Executive Directors of the Company and in determining independence or otherwise, the Board has taken into consideration the relevant Code provisions. David P. Attard is an Executive Director of the Company.

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

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

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

Taking cognisance of the Company's size and business model, the Board considers that as a policy it endeavours to have a varied board, particularly in terms of diverse educational and professional backgrounds as well as extensive and specialised experience. The Board is confident that for this reason and in light of the fact that the Company is controlled by Lombard Bank Malta p.l.c., it benefits from a satisfactory diversity of views and expertise which allows for a good understanding of current affairs, the environment in which the Company operates, and long-term risks and opportunities related to the Company's business.

The Board will consider formalising its diversity policy and remains committed to achieving further diversity among its members particularly in terms of age, gender, experience, educational and professional backgrounds.

#### 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 to ensure that the Company and its employees maintain the highest standards of corporate conduct and ethical standards;
- (h) delegating specific responsibilities to committees, notably the Audit and Risk Committee, the Assets and Liabilities Committee and the Remuneration Committee.
- (i) Monitoring adherence to the Company's Environmental, Social and Governance responsibilities.

#### PRINCIPLE 5: BOARD MEETINGS

Six (6) Board meetings were held during the period under review and attendance by Board members was as follows:

|                      | Attended |
|----------------------|----------|
| Joseph Said          | 6        |
| David P. Attard      | 6        |
| James Dunbar Cousin  | 6        |
| Graham A. Fairclough | 6        |
| Eugenio Farrugia     | 6        |
| Paul Muscat          | 6        |
| Aurelio Theuma       | 6        |

The dates when the Board meetings are scheduled to take place are fixed prior to the beginning of the year in question. Further meetings may be convened as required. Both strategic and operational matters 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 as well as Audit and Risk Committee meetings are prepared immediately after each meeting and circulated amongst all Board members. All the Directors dedicate the necessary attention and time to their duties as Directors of the Company.

#### PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

While the training of management and staff is an on-going 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. The Company Secretary is also responsible for ensuring that Board procedures are adhered to as well as advise on matters relating to Corporate Governance. 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 Director's duties and responsibilities together with relevant legislation and regulations, including the Malta Financial Services Authority Capital Markets Rules. Additionally, Directors have access to Senior Executives to update and develop their skills as considered appropriate on an on-going basis. Furthermore, the directors have access to the Company's external auditors who are invited to attend all the Audit and Risk Committee meetings and the Board of Directors meetings as necessary.

#### PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

Vide under Non-Compliance within the Code Section.

#### 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 AND RISK COMMITTEE

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

The Audit and Risk Committee was made up of three (3) Non-Executive Directors, viz Paul Muscat (Chairman), James Dunbar Cousin together with Aurelio Theuma. The Company Secretary acts as Secretary to the Audit and Risk Committee.

In terms of Capital Markets Rule 5.117 both Paul Muscat and Aurelio Theuma are competent in Accounting and/or Auditing on the basis that they are both Certified Public Accountants. Furthermore, in terms of Capital Markets Rule 5.118, James Dunbar Cousin and Paul Muscat, are considered by the Board to be independent given that they are 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 their judgement.

During the period under review the Audit and Risk Committee met seven (7) times. While the external auditors are invited to attend, the Chief Internal Audit Officer and/or Head Internal Audit attend these meetings in terms of Capital Markets Rule 5.131 and has a direct access to the Chairman of the Audit and Risk Committee at all times. The Head of Risk also attends these meetings. It is within the discretion of the Audit and Risk Committee members to invite any other official of the Company to attend any Committee meeting as they deem fit. The Chairman of the Audit and Risk Committee also met up with the Chief Internal Audit Officer regularly.

#### ASSETS AND LIABILITIES COMMITTEE

Membership of this Committee is made up of a non-Executive Director, the Chief Executive Officer and the Chief Finance Officer and chaired by the Executive Director. Its main objective is to manage risks and maximise returns by efficient and judicious management of the Company's assets and liabilities. A senior official of the Finance Department acts as a secretary to the Committee.

#### REMUNERATION COMMITTEE

The Remuneration Committee is made up of 4 Directors with Paul Muscat acting as Chairman.

The report by the Remuneration Committee in terms of Code Provision 8.A.4 is presented on pages 27 to page 30. The Chief Executive Officer attends the Remuneration Committee meetings when requested to do so and the Company Secretary acts as secretary to this Committee.

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

The Company is cognisant of the importance of maintaining effective and on-going dialogue with its shareholders as well as the market generally. It does so by issuing company announcements and press releases from time to time on matters which are considered important, and which may affect the Company.

The announcement of the half-yearly results, 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. Additionally, the Company's website ([www.maltapost.com](http://www.maltapost.com)) contains relevant information about the Company.

The Company also communicates with its members through the Annual General Meeting during which shareholders are requested to consider the Annual Financial 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 (Cap. 386).

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

#### 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 as well as the Directors' Charter regulate the behaviour of a director in the event of a potential conflict of interest.

Furthermore, the Company's Code of Conduct for dealings in securities and which has been adopted and implemented in conformity with The Market Abuse Laws and Regulations, 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 2023 was as follows:

|                  | Shares held           |
|------------------|-----------------------|
| Eugenio Farrugia | 1,082 Ordinary Shares |
| Aurelio Theuma   | 5,292 Ordinary Shares |

Joseph Said, who is a Director of the Company, is also a director of the following companies, which as at 30 September 2023 had the following shareholding in the Company:

|                     | Shares held            |
|---------------------|------------------------|
| First Gemini p.l.c. | 75,350 Ordinary Shares |
| Safaco Limited      | 92,774 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 lifestyles 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.

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 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, and the Maltese Companies Act (Cap. 386) it has not been considered appropriate to develop a succession policy for the future composition of the Board. However, the recommendation to have a policy in place will be kept under review.

##### PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

The Company Secretary arranges for a "Board Effectiveness Questionnaire" which is completed by each Board Member and the findings are analysed by him in liaison with the Chairman. Similarly, an "Effectiveness Questionnaire" is also arranged for the Audit and Risk Committee, by the Company Secretary in liaison with the Chairman. Findings are discussed and acted upon as appropriate.

##### 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 unless the Company in General Meeting shall otherwise determine, the Board of Directors shall be made up of a maximum of seven (7) directors 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 holding with those of other members for the purposes of appointing a director(s) pursuant thereto, is entitled to participate and vote in an election of directors at the General Meeting of the Company;
- (c) members who avail themselves of appointing directors pursuant to the provisions of paragraph (a) above are still entitled to participate in the election of directors in terms of paragraph (b) provided that in such an election they may only use such shares not otherwise used for the appointment of directors pursuant to paragraph (a).

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

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

#### PRINCIPLE 9: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

Code Provision 9.3 provides for procedures to be in place to resolve conflicts between minority shareholders and controlling shareholders. The Memorandum and Articles of Association of the Company do not provide for a procedure to resolve such conflicts. However, the Company's Senior Management and the Non-Executive Directors maintain an open dialogue to cater for any such conflicts.

The Company also maintains an open channel of communication with its shareholders through the Company Secretariat.

#### C. INTERNAL CONTROL (CAPITAL MARKETS RULE 5.97.4)

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 but 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 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 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.

#### D. GENERAL MEETINGS (CAPITAL MARKETS RULE 5.97.6)

A General Meeting is conducted in conformity with the Articles of Association of the Company and is called by giving at least 21 days of notice.

The Ordinary Business conducted at the Annual General Meeting consists of receiving or adoption of the Annual Financial Statement, the Declaration of a Dividend, the Appointment and Remuneration of Directors, the Appointment of the External Auditors, as well as the Authority to the Board to fix the external Auditors' emoluments.

All shareholders on the shareholders register on the record date as defined in the Capital Markets Rules, have the right to attend, participate and vote at the General Meeting.

A member or members holding not less than five per cent (5%) of the voting issued share capital of the Company may:

- (a) request the Company to include items on the agenda of the General Meeting provided that each item is accompanied by a justification or a draft resolution to be adopted at the General Meeting; and
- (b) table draft resolution for items included in the agenda of a General Meeting. Such requests are to be received by the Company at least forty-six (46) days before the date set for the relative General Meeting.

Every person entered into the register of members shall be entitled to appoint only one (1) person to act as proxy holder to attend and vote at a General Meeting instead of him. The proxy holder shall enjoy the same rights to speak and ask questions in the General Meeting as those to which the member thus represented would be entitled.

Signed on behalf of the Board of Directors on 19 December 2023 by Joseph Said (Chairman) and Aurelio Theuma (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2023.

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Joseph Said  
Chairman

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Aurelio Theuma  
Director

## Remuneration Report

The Remuneration Committee is responsible to draw up a Remuneration Policy and submit it for the Board's consideration. In determining such policy, the Committee takes into account all factors which it deems necessary, including the position of the Company relative to other companies in the marketplace. The objective of such policy is to ensure that Directors and Chief Officers are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner, for their individual contributions to the success of the Company. The remuneration policy is subject to a regular review and any amendments thereto shall, before adoption, be submitted to a General Meeting for consideration and approval.

### MEMBERSHIP AND TERMS OF REFERENCE

The following Directors of MaltaPost p.l.c. make up the Remuneration Committee: Paul Muscat (Chairman), Eugenio Farrugia, Aurelio Theuma and David P. Attard. The Remuneration Committee is tasked with maintaining a Remuneration Policy which ensures that MaltaPost p.l.c. attracts, retains, and motivates the appropriate calibre of Directors, Senior Executives and Management, who are ultimately responsible for the formulation and execution of the Company's strategies and policies. Furthermore, the Remuneration Committee recommends to the Board of Directors remuneration packages for all Directors and Senior Executives.

### MEETINGS

During the financial year ended 30 September 2023 the Remuneration Committee met four (4) times and these meetings were attended by all members where the following matters were discussed:

- Review of the Guiding Principles relative to Salaries and Discretionary Bonuses awarded to Management
- Proposed Salaries and Discretionary Bonuses
- Review of Directors' Remuneration

### REMUNERATION – DIRECTORS

The Remuneration Policy for Directors drawn up in terms of the Capital Markets Rule 12.26A was approved at the Annual General Meeting held on the 26 February 2020. Any amendments to this Policy shall, before adoption, be submitted to a General Meeting for consideration and approval.

The last Annual General Meeting approved the amount of seventy-five thousand euro (€75,000) as the maximum aggregate amount by way of Directors' Remuneration. During the same meeting, the members approved the Remuneration Report for Directors which was a separate agenda item of the Annual General Meeting. 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 form of remuneration. No other fees were payable to any of the Directors during the year under review, except for Graham A. Fairclough, the Company Secretary, who received fees of € 4,000 per annum for services rendered.

Five (5) of the Directors are employees of the ultimate controlling shareholder of MaltaPost p.l.c.

## Remuneration Report - continued

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Capital Markets Rules, the total emoluments received by Directors for their directorship for the financial years indicated, are specified below:

| FINANCIAL YEAR | FIXED REMUNERATION |
|----------------|--------------------|
| 2023           | €75,000            |
| 2022           | €59,600            |
| 2021           | €59,600            |
| 2020           | €59,600            |

The total emoluments paid to Directors during the past four financial years were as follows:

|                      | 2023           | 2022           | 2021           | 2020           |
|----------------------|----------------|----------------|----------------|----------------|
| Joseph Said          | €18,000        | €17,000        | €17,000        | €17,000        |
| David P. Attard      | €8,500         | €7,100         | €7,100         | €7,100         |
| James Dunbar Cousin  | €10,500        | €7,100         | €7,100         | €7,100         |
| Graham A. Fairclough | €8,500         | €7,100         | €7,100         | €7,100         |
| Eugenio Farrugia     | €8,500         | €7,100         | €7,100         | €7,100         |
| Paul Muscat          | €10,500        | €7,100         | €7,100         | €7,100         |
| Aurelio Theuma       | €10,500        | €7,100         | €7,100         | €7,100         |
| <b>Total</b>         | <b>€75,000</b> | <b>€59,600</b> | <b>€59,600</b> | <b>€59,600</b> |

These amounts all fell within the limits as approved by the Annual General Meetings of the respective years being reported on.

David P. Attard and Eugenio Farrugia also serve as Directors on CIABRO Limited and Postalnsure Agency Limited respectively, two subsidiaries of the Group.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Capital Markets Rules, during financial year 2022/2023, the Executive Director was paid by the parent company, who in turn recharged MaltaPost €116,000 (2022: €109,000) for his role. The total emoluments received by the Chief Executive Officer for this financial year amounted to €120,000 (2022: €111,000).

There is no formal provision for the reclamation of any variable remuneration related to the previous financial year/s. The remuneration levels for Financial Year 2023 comply with the provisions of the approved Remuneration Policy for Directors.

### REMUNERATION - SENIOR EXECUTIVES

All references to 'Senior Executives' in this report refer specifically to 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 that 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 ending 30 September 2023.

## Remuneration Report - continued

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 performance related. A discretionary annual bonus is payable to the Chief Officers following an assessment of their individual overall 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 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 Capital Markets Rules, the total emoluments received by Senior Executives during the financial year are as detailed below:

| FINANCIAL YEAR | FIXED REMUNERATION | VARIABLE REMUNERATION | OTHERS     |
|----------------|--------------------|-----------------------|------------|
| 2023           | €293,000           | €17,500               | See below* |
| 2022           | €269,000           | €18,000               | See below* |
| 2021           | €222,000           | €18,000               | See below* |
| 2020           | €234,000           | €18,000               | See below* |

During the Financial Year 2022, the number of Chief Officers increased from 3 to 4. There were 5 Chief Officers serving during the financial year 2020, two of whom were only in employment for part of the financial year.

\* 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.

The foregoing Remuneration Report is being put forward to an advisory vote of the 2024 Annual General Meeting in accordance with the requirements of the Malta Financial Services Authority Capital Markets Rule 12.26 L.

Other information on remuneration in terms of Appendix 12.1 of the Capital Markets Rules

In terms of the requirements established by Appendix 12.1 of the Capital Markets Rules, the following table presents the annual changes made in the remuneration packages when compared to the Company's performance over the last four financial years. The non-executive Company's Directors have been excluded from the table below since they have a fixed fee as described in Section B above. The average remuneration of the employees is based on a full-time equivalent basis, excluding the Executive Director and Chief Executive Officer (CEO).

### Remuneration Report - continued

|  | 2023  | 2022  | 2021  | 2020  | Change |      |      |
|--|-------|-------|-------|-------|--------|------|------|
|  | €000  | €'000 | €'000 | €'000 | %      | %    | %    |
| <b>Group</b>   |       |       |       |       |        |      |      |
| Average employee remuneration (excluding Executive Director and CEO) | 23    | 21    | 20    | 19    | 10     | 5    | 5    |
| Executive Director and CEO remuneration                              | 236   | 220   | 209   | 201   | 7      | 5    | 4    |
| Group performance – Profit Before Tax                                | 2,318 | 637   | 2,350 | 2,780 | 264    | (73) | (16) |
| <b>Company</b>   |       |       |       |       |        |      |      |
| Average employee remuneration (excluding Executive Director and CEO) | 23    | 22    | 21    | 20    | 10     | 5    | 5    |
| Executive Director and CEO remuneration                              | 236   | 220   | 209   | 201   | 7      | 5    | 4    |
| Company performance – Profit Before Tax                              | 2,575 | 1,007 | 2,582 | 2,912 | 156    | (61) | (11) |

The performance of the Group and the Company is measured on a “profit before tax” basis, as management has determined that it is the best measure of direct performance.

The contents of the Remuneration Report have been reviewed by PricewaterhouseCoopers, the external auditors, to ensure that the information required in terms of Appendix 12.1 of Chapter 12 of the Capital Markets Rules have been included.

This Remuneration Report was approved by the Board of Directors at the Board Meeting held on the 19 December 2023.

## Company information

### Vision Statement

To be Malta's leading Logistics Company delivering excellence in customer experience globally

### Mission Statement

To exceed customers' expectations by providing high quality, cost-effective logistical and diversified services.

**Company Registration Number:** C22796

### Registered Office:

305, Qormi Road, Marsa MTP 1001, Malta

Tel: (+356) 2122 4421

Fax: (+356) 2122 6368

Freephone: (+356) 80072244

Email: [info@maltapost.com](mailto:info@maltapost.com)

[www.maltapost.com](http://www.maltapost.com)

### Registered shareholders with five per cent (5%) or more of the Share Capital of the Company:

|                |                                 |                                |
|----------------|---------------------------------|--------------------------------|
| Redbox Limited | <b>30 September 2023</b><br>72% | <b>13 November 2023</b><br>72% |
|----------------|---------------------------------|--------------------------------|

## **BOARD OF DIRECTORS**

Joseph Said (Chairman)  
David P. Attard  
James Dunbar Cousin  
Graham A. Fairclough  
Eugenio Farrugia  
Paul Muscat  
Aurelio Theuma

## **COMPANY SECRETARY**

Graham A. Fairclough

## **CHIEF OFFICERS**

|                 |                              |
|-----------------|------------------------------|
| Joseph Gafa`    | Chief Executive Officer      |
| Carmen Ellul    | Chief Internal Audit Officer |
| Ian Lucas       | Chief Financial Officer      |
| Adrian Vassallo | Chief Operating Officer      |

## **HEADS OF DEPARTMENTS**

|                      |  |
|----------------------|--|
| Edwin Abdilla        | Mail Services                                |
| Johan Attard         | Finance - Management and Regulatory Accounts |
| David Borg           | Corporate Security                           |
| Lara Bugeja          | Malta Postal Museum Curator                  |
| Antoinette Camilleri | Corporate Office & Investors Relations       |
| Stefania Camilleri   | Human Resources                              |
| Stefan J. Camilleri  | Health and Safety                            |
| Charles Cilia        | Commercial                                   |
| John Cremona         | Support Services                             |
| Paul Curmi           | Document Management Services                 |
| Mario Farrugia       | Retail and Insurance Services                |
| Andrew Harrison      | Risk and ESG                                 |
| Steffan Galea        | Digital Solutions and Strategy               |
| Albert Gouder        | Marketing                                    |
| Darren Micallef      | Finance - Financial Accounts and Control     |
| Joswill Micallef     | IT Support                                   |
| Patrick Polidano     | Quality Assurance                            |
| Mauro Portelli       | Legal and Compliance                         |
| Kenneth Spiteri      | Business Process Design                      |

## Statements of financial position

|   | Notes | Group              |               | Company       |               |
|---|-------|--------------------|---------------|---------------|---------------|
|   |       | As at 30 September |               |               |               |
|   |       | 2023<br>€'000      | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>ASSETS</b>   |       |                    |               |               |               |
| <b>Non-current assets</b>   |       |                    |               |               |               |
| Property, plant and equipment                                     | 4     | 22,822             | 22,861        | 22,627        | 22,627        |
| Right-of-use assets   | 5     | 1,661              | 1,343         | 1,661         | 1,343         |
| Intangible assets   | 6     | 1,319              | 1,207         | 1,232         | 1,102         |
| Investment in subsidiaries  | 7     | -                  | -             | 416           | 416           |
| Investment in associate   | 8     | 1,716              | 1,084         | 2,875         | 1,875         |
| Financial assets at fair value through other comprehensive income | 9     | 2,265              | 2,529         | 2,265         | 2,529         |
| Deferred tax asset  | 10    | 313                | 337           | 270           | 254           |
| Total non-current assets  |       | <b>30,096</b>      | 29,361        | <b>31,346</b> | 30,146        |
| <b>Current assets</b>   |       |                    |               |               |               |
| Inventories   | 11    | 752                | 669           | 750           | 666           |
| Trade and other receivables                                       | 12    | 8,685              | 10,703        | 8,297         | 10,622        |
| Current tax asset   |       | 643                | 280           | 636           | 273           |
| Deposits with financial institutions                              | 13    | 2,500              | 3,000         | 2,500         | 3,000         |
| Cash and cash equivalents   | 14    | 4,368              | 5,466         | 3,241         | 4,788         |
| Business of insurance accounts                                    | 14    | 347                | 399           | 18            | -             |
| Total current assets  |       | <b>17,295</b>      | 20,517        | <b>15,442</b> | 19,349        |
| <b>Total assets</b>   |       | <b>47,391</b>      | 49,878        | <b>46,788</b> | 49,495        |

## Statements of financial position - continued

|  | Notes | Group              |               | Company       |               |
|--|-------|--------------------|---------------|---------------|---------------|
|  |       | As at 30 September |               |               |               |
|  |       | 2023<br>€'000      | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>EQUITY AND LIABILITIES</b>                              |       |                    |               |               |               |
| <b>Capital and reserves</b>                                |       |                    |               |               |               |
| Share capital  | 15    | 9,689              | 9,414         | 9,689         | 9,414         |
| Share premium  | 15    | 8,292              | 7,367         | 8,292         | 7,367         |
| Other reserves   | 16    | 3,699              | 3,731         | 3,699         | 3,731         |
| Retained earnings  |       | 6,794              | 6,454         | 7,910         | 7,222         |
| Total equity attributable to equity holders of the Company |       | 28,474             | 26,966        | 29,590        | 27,734        |
| Non-controlling interest                                   |       | 445                | 408           | -             | -             |
| <b>Total equity</b>  |       | <b>28,919</b>      | <b>27,374</b> | <b>29,590</b> | <b>27,734</b> |
| <b>Non-current liabilities</b>                             |       |                    |               |               |               |
| Deferred tax liability                                     | 10    | 1,299              | 1,299         | 1,299         | 1,299         |
| Lease liabilities  | 17    | 1,429              | 1,107         | 1,429         | 1,107         |
| Provision for liabilities and charges                      | 18    | 908                | 1,153         | 908           | 1,153         |
| <b>Total non-current liabilities</b>                       |       | <b>3,636</b>       | <b>3,559</b>  | <b>3,636</b>  | <b>3,559</b>  |
| <b>Current liabilities</b>                                 |       |                    |               |               |               |
| Lease liabilities  | 17    | 301                | 266           | 301           | 266           |
| Provision for liabilities and charges                      | 18    | 126                | 152           | 126           | 152           |
| Trade and other payables                                   | 19    | 14,409             | 18,527        | 13,135        | 17,784        |
| <b>Total current liabilities</b>                           |       | <b>14,836</b>      | <b>18,945</b> | <b>13,562</b> | <b>18,202</b> |
| <b>Total liabilities</b>                                   |       | <b>18,472</b>      | <b>22,504</b> | <b>17,198</b> | <b>21,761</b> |
| <b>Total equity and liabilities</b>                        |       | <b>47,391</b>      | <b>49,878</b> | <b>46,788</b> | <b>49,495</b> |

The accompanying notes are an integral part of these financial statements

The financial statements on pages 33 to 87 were approved and authorised for issue by the Board of Directors on 19 December 2023. The financial statements were signed on behalf of the Company's Board of Directors by Joseph Said and Aurelio Theuma as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2023.

## Income statements

|                                       | Notes | Group                   |               | Company         |               |
|---------------------------------------|-------|-------------------------|---------------|-----------------|---------------|
|                                       |       | Year ended 30 September |               |                 |               |
|                                       |       | 2023<br>€'000           | 2022<br>€'000 | 2023<br>€'000   | 2022<br>€'000 |
| <b>Revenue</b>                        | 20    | <b>39,610</b>           | 31,513        | <b>39,049</b>   | 31,133        |
| Employee benefits expense             | 22    | <b>(15,059)</b>         | (15,425)      | <b>(14,811)</b> | (15,243)      |
| Depreciation and amortisation expense | 21    | <b>(1,974)</b>          | (1,825)       | <b>(1,915)</b>  | (1,799)       |
| Other expenses                        | 21    | <b>(20,053)</b>         | (13,552)      | <b>(19,910)</b> | (13,408)      |
| Other income                          | 23    | <b>108</b>              | 279           | <b>108</b>      | 254           |
| <b>Operating profit</b>               |       | <b>2,632</b>            | 990           | <b>2,521</b>    | 937           |
| Share of results of associate         | 8     | <b>(368)</b>            | (423)         | -               | -             |
| Finance costs                         | 17    | <b>(59)</b>             | (49)          | <b>(59)</b>     | (49)          |
| Finance income                        | 24    | <b>113</b>              | 119           | <b>113</b>      | 119           |
| <b>Profit before tax</b>              |       | <b>2,318</b>            | 637           | <b>2,575</b>    | 1,007         |
| Tax expense                           | 25    | <b>(435)</b>            | (351)         | <b>(381)</b>    | (329)         |
| <b>Profit for the year</b>            |       | <b>1,883</b>            | 286           | <b>2,194</b>    | 678           |
| <b>Attributable to:</b>               |       |                         |               |                 |               |
| Owners of the Company                 |       | <b>1,846</b>            | 265           | <b>2,194</b>    | 678           |
| Non-controlling interest              |       | <b>37</b>               | 21            | -               | -             |
|                                       |       | <b>1,883</b>            | 286           | <b>2,194</b>    | 678           |
| <b>Earnings per share</b>             | 27    | <b>€0.020</b>           | €0.004        |                 |               |

Following the share split effected during the year (Note 15), the total number of shares in issue as at 30 September 2023 increased from 37,654,720 to 77,512,020. In view of this the basic and diluted earnings per share for the year ended 30 September 2022 have been restated from €0.01 to €0.004.

The accompanying notes are an integral part of these financial statements

## Statements of comprehensive income

| Notes   | Group                   |               | Company       |               |
|---|-------------------------|---------------|---------------|---------------|
|   | Year ended 30 September |               |               |               |
|   | 2023<br>€'000           | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>Comprehensive income</b>   |                         |               |               |               |
| Profit for the year   | <b>1,883</b>            | 286           | <b>2,194</b>  | 678           |
| <b>Other comprehensive income</b>                                       |                         |               |               |               |
| <i>Items that may be subsequently reclassified to profit or loss</i>    |                         |               |               |               |
| Financial assets at fair value through other comprehensive income:      |                         |               |               |               |
| Losses from changes in fair value                                       | 9                       | (132)         | (132)         | (337)         |
| <i>Items that will not be reclassified to profit or loss</i>            |                         |               |               |               |
| Remeasurements of defined benefit obligations                           | 18                      | 159           | 159           | 262           |
| <i>Income tax relating to components of other comprehensive income:</i> |                         |               |               |               |
| Remeasurements of defined benefit obligations                           | 10                      | (59)          | (59)          | (92)          |
| Total other comprehensive income for the year                           | (32)                    | (167)         | (32)          | (167)         |
| <b>Total comprehensive income for the year</b>                          | <b>1,851</b>            | 119           | <b>2,162</b>  | 511           |

The accompanying notes are an integral part of these financial statements

## Statements of changes in equity

| Group  | Notes | Attributable to owners of the Company |                           |                            |                               | Total<br>€'000 | Non<br>controlling<br>interest<br>€'000 | Total<br>equity<br>€'000 |
|--|-------|---------------------------------------|---------------------------|----------------------------|-------------------------------|----------------|---|--------------------------|
|  |       | Share<br>capital<br>€'000             | Share<br>premium<br>€'000 | Other<br>reserves<br>€'000 | Retained<br>earnings<br>€'000 |                |   |                          |
| Balance at 1 October 2021  |       | 9,414                                 | 7,367                     | 3,898                      | 7,695                         | 28,374         | 387                                     | 28,761                   |
| <b>Comprehensive income</b>  |       |                                       |                           |                            |                               |                |   |                          |
| Profit for the year  |       | -                                     | -                         | -                          | 265                           | 265            | 21                                      | 286                      |
| <b>Other comprehensive income</b>                                  |       |                                       |                           |                            |                               |                |   |                          |
| Financial assets at fair value through other comprehensive income: |       |                                       |                           |                            |                               |                |   |                          |
| Losses from changes in fair value                                  | 9     | -                                     | -                         | (337)                      | -                             | (337)          | -                                       | (337)                    |
| Remeasurements of defined benefit obligation, net of deferred tax  | 10,18 | -                                     | -                         | 170                        | -                             | 170            | -                                       | 170                      |
| Total other comprehensive income                                   |       | -                                     | -                         | (167)                      | -                             | (167)          | -                                       | (167)                    |
| Total comprehensive income   |       | -                                     | -                         | (167)                      | 265                           | 98             | 21                                      | 119                      |
| <b>Transactions with owners in their capacity as owners</b>        |       |                                       |                           |                            |                               |                |   |                          |
| Distributions to owners:   |       |                                       |                           |                            |                               |                |   |                          |
| Dividends paid to equity holders                                   | 28    | -                                     | -                         | -                          | (1,506)                       | (1,506)        | -                                       | (1,506)                  |
| Total transactions with owners in their capacity of owners         |       | -                                     | -                         | -                          | (1,506)                       | (1,506)        | -                                       | (1,506)                  |
| <b>Balance at 30 September 2022</b>                                |       | <b>9,414</b>                          | <b>7,367</b>              | <b>3,731</b>               | <b>6,454</b>                  | <b>26,966</b>  | <b>408</b>                              | <b>27,374</b>            |

### Statements of changes in equity - continued

| Group  | Attributable to owners of the Company |                           |                           |                            |                               | Non<br>controlling<br>interest<br>€'000 | Total<br>equity<br>€'000 |                |
|--|---------------------------------------|---------------------------|---------------------------|----------------------------|-------------------------------|---|--------------------------|----------------|
|  | Notes                                 | Share<br>capital<br>€'000 | Share<br>premium<br>€'000 | Other<br>reserves<br>€'000 | Retained<br>earnings<br>€'000 |   |                          | Total<br>€'000 |
| Balance at 1 October 2022  |                                       | 9,414                     | 7,367                     | 3,731                      | 6,454                         | 26,966                                  | 408                      | 27,374         |
| <b>Comprehensive income</b>  |                                       |                           |                           |                            |                               |   |                          |                |
| Profit for the year  |                                       | -                         | -                         | -                          | 1,846                         | 1,846                                   | 37                       | 1,883          |
| <b>Other comprehensive income</b>  |                                       |                           |                           |                            |                               |   |                          |                |
| Financial assets at fair value<br>through other comprehensive<br>income:<br>Losses from changes in fair<br>value | 9                                     | -                         | -                         | (132)                      | -                             | (132)                                   | -                        | (132)          |
| Remeasurements of defined<br>benefit obligation, net of<br>deferred tax  |                                       | -                         | -                         | 100                        | -                             | 100                                     | -                        | 100            |
| Total other comprehensive<br>income  |                                       | -                         | -                         | (32)                       | -                             | (32)                                    | -                        | (32)           |
| Total comprehensive income   |                                       | -                         | -                         | (32)                       | 1,846                         | 1,814                                   | 37                       | 1,851          |
| <b>Transactions with owners in<br/>their capacity as owners</b>  |                                       |                           |                           |                            |                               |   |                          |                |
| Distributions to owners:<br>Dividends paid to equity<br>holders  | 28                                    | -                         | -                         | -                          | (1,506)                       | (1,506)                                 | -                        | (1,506)        |
| Changes in ownership interest<br>that do not result in loss of<br>control<br>Increase in share capital           |                                       | 275                       | 925                       | -                          | -                             | 1,200                                   | -                        | 1,200          |
| Total transactions with owners in<br>their capacity of owners  |                                       | 275                       | 925                       | -                          | (1,506)                       | (306)                                   | -                        | (306)          |
| <b>Balance at 30 September 2023</b>  |                                       | <b>9,689</b>              | <b>8,292</b>              | <b>3,699</b>               | <b>6,794</b>                  | <b>28,474</b>                           | <b>445</b>               | <b>28,919</b>  |

## Statements of changes in equity - continued

### Company

|  | Notes | Share capital<br>€'000 | Share premium<br>€'000 | Other reserves<br>€'000 | Retained earnings<br>€'000 | Total<br>€'000 |
|--|-------|------------------------|------------------------|-------------------------|----------------------------|----------------|
| Balance at 1 October 2021  |       | 9,414                  | 7,367                  | 3,898                   | 8,050                      | 28,729         |
| <b>Comprehensive income</b>  |       |                        |                        |                         |                            |                |
| Profit for the year  |       | -                      | -                      | -                       | 678                        | 678            |
| <b>Other comprehensive income</b>                                  |       |                        |                        |                         |                            |                |
| Financial assets at fair value through other comprehensive income: |       |                        |                        |                         |                            |                |
| Losses from changes in fair value                                  | 9     | -                      | -                      | (337)                   | -                          | (337)          |
| Remeasurements of defined benefit obligation, net of deferred tax  | 10,18 | -                      | -                      | 170                     | -                          | 170            |
| Total other comprehensive income                                   |       | -                      | -                      | (167)                   | -                          | (167)          |
| Total comprehensive income   |       | -                      | -                      | (167)                   | 678                        | 511            |
| <b>Transactions with owners in their capacity as owners</b>        |       |                        |                        |                         |                            |                |
| Distributions to owners:   |       |                        |                        |                         |                            |                |
| Dividends paid to equity holders                                   | 28    | -                      | -                      | -                       | (1,506)                    | (1,506)        |
| Total transactions with owners in their capacity as owners         |       | -                      | -                      | -                       | (1,506)                    | (1,506)        |
| <b>Balance at 30 September 2022</b>                                |       | <b>9,414</b>           | <b>7,367</b>           | <b>3,731</b>            | <b>7,222</b>               | <b>27,734</b>  |

## Statements of changes in equity - continued

### Company

|   | Notes | Share capital<br>€'000 | Share premium<br>€'000 | Other reserves<br>€'000 | Retained earnings<br>€'000 | Total<br>€'000 |
|---|-------|------------------------|------------------------|-------------------------|----------------------------|----------------|
| Balance at 1 October 2022   |       | 9,414                  | 7,367                  | 3,731                   | 7,222                      | 27,734         |
| <b>Comprehensive income</b>   |       |                        |                        |                         |                            |                |
| Profit for the year   |       | -                      | -                      | -                       | 2,194                      | 2,194          |
| <b>Other comprehensive income</b>                                   |       |                        |                        |                         |                            |                |
| Financial assets at fair value through other comprehensive income:  |       |                        |                        |                         |                            |                |
| Losses from changes in fair value                                   | 9     | -                      | -                      | (132)                   |                            | (132)          |
| Remeasurements of defined benefit obligation, net of deferred tax   | 10,18 | -                      | -                      | 100                     |                            | 100            |
| Total other comprehensive income                                    |       | -                      | -                      | (32)                    |                            | (32)           |
| Total comprehensive income  |       | -                      | -                      | (32)                    | 2,194                      | 2,162          |
| <b>Transactions with owners in their capacity as owners</b>         |       |                        |                        |                         |                            |                |
| Distributions to owners:  |       |                        |                        |                         |                            |                |
| Dividends paid to equity holders                                    | 28    | -                      | -                      | -                       | (1,506)                    | (1,506)        |
| Changes in ownership interest that do not result in loss of control |       |                        |                        |                         |                            |                |
| Increase in share capital   |       | 275                    | 925                    | -                       | -                          | 1,200          |
| Total transactions with owners in their capacity as owners          |       | 275                    | 925                    | -                       | (1,506)                    | (306)          |
| <b>Balance at 30 September 2023</b>                                 |       | <b>9,689</b>           | <b>8,292</b>           | <b>3,699</b>            | <b>7,910</b>               | <b>29,590</b>  |

The accompanying notes are an integral part of these financial statements

## Statements of cash flows

|  | Group                   |                | Company        |                |                |
|--|-------------------------|----------------|----------------|----------------|----------------|
|  | Year ended 30 September |                |                |                |                |
|  | Note                    | 2023<br>€'000  | 2022<br>€'000  | 2023<br>€'000  | 2022<br>€'000  |
| <b>Cash flows from operating activities</b>  |                         |                |                |                |                |
| Cash from customers  |                         | 44,145         | 34,924         | 41,293         | 31,377         |
| Cash paid to suppliers and employees   |                         | (42,696)       | (33,160)       | (40,095)       | (29,680)       |
| Cash flows attributable to funds collected on behalf of third parties                                    |                         | 872            | 634            | 744            | 618            |
| Cash generated from operating activities   |                         | 2,321          | 2,398          | 1,942          | 2,315          |
| Income tax paid  |                         | (818)          | (1,364)        | (818)          | (1,362)        |
| <b>Net cash generated from operating activities</b>  |                         | <b>1,503</b>   | <b>1,034</b>   | <b>1,124</b>   | <b>953</b>     |
| <b>Cash flows from investing activities</b>  |                         |                |                |                |                |
| Interest charges on lease liabilities  |                         | (59)           | (49)           | (59)           | (49)           |
| Interest received  |                         | 107            | 126            | 107            | 126            |
| Purchase of property, plant and equipment  |                         | (1,056)        | (1,515)        | (1,056)        | (1,325)        |
| Purchase of intangible assets  |                         | (700)          | (557)          | (700)          | (558)          |
| Purchase of investment in associate  |                         | (1,000)        | -              | (1,000)        | -              |
| Proceeds from disposals/redemptions of financial assets at fair value through other comprehensive income |                         | 132            | 26             | 132            | 26             |
| Maturity of deposits with financial institutions   |                         | 2,500          | 6,000          | 2,500          | 6,000          |
| Placement of deposits with financial institutions  |                         | (2,000)        | (2,800)        | (2,000)        | (2,800)        |
| <b>Net cash (used in)/from investing activities</b>  |                         | <b>(2,076)</b> | <b>1,231</b>   | <b>(2,076)</b> | <b>1,420</b>   |
| <b>Cash flows from financing activities</b>  |                         |                |                |                |                |
| Principal element of lease payments  |                         | (278)          | (290)          | (278)          | (290)          |
| Dividends paid   |                         | (299)          | (1,501)        | (299)          | (1,501)        |
| <b>Net cash used in financing activities</b>   |                         | <b>(577)</b>   | <b>(1,791)</b> | <b>(577)</b>   | <b>(1,791)</b> |
| <b>Net movement in cash and cash equivalents</b>   |                         | <b>(1,150)</b> | <b>474</b>     | <b>(1,529)</b> | <b>582</b>     |
| <b>Cash and cash equivalents at beginning of year</b>  |                         | <b>5,865</b>   | <b>5,391</b>   | <b>4,788</b>   | <b>4,206</b>   |
| <b>Cash and cash equivalents at end of year</b>  | 14                      | <b>4,715</b>   | <b>5,865</b>   | <b>3,259</b>   | <b>4,788</b>   |

The accompanying notes are an integral part of these financial statements

## Notes to the financial statements

### 1. Summary of significant accounting policies

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

#### 1.1 Basis of preparation

The consolidated financial statements include the financial statements of MaltaPost p.l.c. (the Company) and its subsidiary undertakings (together referred to as 'the Group' and individually as 'Group entities'). 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 (Cap. 386). 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 financial assets at fair value through other comprehensive income.

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 Group'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 2023*

In 2023, the Group adopted new amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the financial performance and position.

##### *(b) 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 Group's accounting periods beginning after 1 October 2022. The Group 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 Group's financial statements in the period of initial application.

## 1. Summary of significant accounting policies - continued

### 1.2 Consolidation

#### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where, for instance the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3, *Business Combinations*. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of acquiring the investment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

#### (b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

**1.2 Consolidation - continued**

*(c) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the associate are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

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

**1.3 Foreign currency translation**

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

**1.4 Property, plant and equipment**

All property, plant and equipment are 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 Group 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.

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

**1.4 Property, plant and equipment - continued**

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 Group will obtain ownership by the end of the lease term.

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

|  | %                                       |
|--|---|
| Buildings                                    | 1                                       |
| Fixtures, furniture and fittings             | 4 - 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 artefacts are not depreciated. Artefacts are not depreciated since in the opinion of management, their residual value is not less than their original cost.

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 1.7).

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.

**1.5 Intangible assets**

*Computer software*

The Group's computer software comprises software purchased from third parties. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

## 1. Summary of significant accounting policies - continued

### 1.5 Intangible assets - continued

#### *Computer software - continued*

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives which is 4 years.

#### *Leasehold rights on buildings*

Leasehold rights are initially recognised at their acquisition cost and then amortised over their estimated useful life, which does not exceed the expected lease period, on a straight-line basis.

### 1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

### 1.7 Financial assets

#### *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## 1. Summary of significant accounting policies - continued

### 1.7 Financial assets - continued

#### *Recognition and derecognition*

The Group 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 settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

#### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss, subject to materiality.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 1. Summary of significant accounting policies - continued

### 1.7 Financial assets - continued

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in stage 1.

Financial assets in stage 1, have their expected credit loss measured at amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months, or until contractual maturity if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to stage 2 and its expected credit loss is measured on a lifetime basis, that is up until contractual maturity. If the Group determines that a financial asset is credit impaired, the asset is transferred to stage 3 and the expected credit loss is measured on a lifetime credit loss basis.

### 1.8 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.

### 1.9 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances in accordance with accounting policy 1.7. 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.

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

**1.9 Trade and other receivables - continued**

When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

**1.10 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.

**1.11 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.

**1.12 Financial liabilities**

The Group 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 Group 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.

**1.13 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.

**1.14 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 Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**1.15 Offsetting financial instruments**

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

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

**1.15 Offsetting financial instruments - continued**

The Group has agreements in place with third parties to collect, through the Group'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 Group until settlement with the respective third parties, during which time the Group 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.

**1.16 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.

**1.17 Provisions**

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

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

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

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. 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. Summary of significant accounting policies - continued**

**1.18 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group'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: 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.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the Company recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the Company fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – stand-alone selling prices, i.e., based on a ratio of the stand-alone selling price of each separate element to the aggregated stand-alone selling prices of the contractual performance obligations.

A contract modification exists where the Group and the customer approve a modification that either creates new, or changes existing, enforceable rights and obligations of both parties. The Group accounts for a contract modification as a separate contract where the scope of the contract increases because of the addition of distinct promised services, and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of those additional promised services. A modification that is not accounted for as a separate contract is accounted for as an adjustment to the existing contract, either prospectively or through a cumulative catch-up adjustment, depending on whether the remaining goods or services to be provided to the customer under the modified contract are distinct.

The Group measures revenue on a basis that reflects the amount of consideration that it expects to be entitled to; this measurement of revenue is however limited to amounts to which the Group has enforceable rights, and it excludes amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation, which occurs when it transfers control of a promised good or service to a customer. Control of a promised good or service is transferred to a customer when the customer is able to direct the use of the promised good or service. A performance obligation is satisfied at a point in time unless it meets certain criteria that indicate that it is satisfied over time.

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

**1.18 Revenue recognition - continued**

Management has determined that none of the Group's contracts with customers contain a significant financing component as the period between the recognition of revenue and the payment due date is of less than one year.

*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.

**1.19 Customer contract assets and liabilities**

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance or prepaid stamps (previously recognised in deferred income).

**1.20 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 Group will comply with all attached conditions.

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

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

**1.21 Leases**

*The Group is the lessee*

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

**1.21 Leases - continued**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## 1. Summary of significant accounting policies - continued

### 1.21 Leases - continued

For leases of properties, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*The Group is the lessor*

#### *Operating leases*

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

### 1.22 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.

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. Upon settlement of the dividend payable the Company recognises the difference between the carrying amount of the assets to be distributed and the carrying amount of the dividend payable in profit or loss.

### 1.23 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision-maker in accordance with the requirements of IFRS 8, *Operating Segments*. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

### 1.24 Earnings per share

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

## 2. Financial risk management

### 2.1 Financial risk factors

The Group'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), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the 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 functional currency.

The Group is exposed to foreign exchange risk arising primarily from the Group's sales and purchases attributable to its postal activities, a part of which are denominated in SDR. The table below summarises the main exposure to foreign currencies analysing the exposure of assets and liabilities by foreign currency, focusing on invoiced amounts:

|                                       | <b>Group and Company</b> |              |
|---------------------------------------|--------------------------|--------------|
|                                       | <b>2023</b>              | <b>2022</b>  |
|                                       | <b>€'000</b>             | <b>€'000</b> |
| <i>Financial assets</i>               |                          |              |
| Trade receivables                     |                          |              |
| SDR                                   | <b>1,992</b>             | 2,867        |
| <i>Financial liabilities</i>          |                          |              |
| Trade payables                        |                          |              |
| SDR                                   | <b>(5,161)</b>           | (4,766)      |
| Net exposure to foreign currency risk | <b>(3,169)</b>           | (1,899)      |

Management does not deem the Group's exposure to foreign currencies reflected in the table above to be significant. Foreign exchange risk is not considered significant, taking cognisance of the impact of exchange fluctuations on the net financial position exposures as at the reporting dates and the staged short settlement periods for both assets and liabilities denominated in SDR. 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 accordingly deemed necessary since the Directors are of the opinion that the net impact would be insignificant. Also foreign exchange risk attributable to future transactions is not deemed to be significant.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Market risk - continued*

(ii) Cash flow and fair value interest rate risk

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

The Group's fixed income debt securities, categorised as financial assets at fair value through other comprehensive income, consist principally of corporate and Government debt securities, and constitute the Group's only financial instruments 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 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:

|   | Notes | Group         |               | Company       |               |
|---|-------|---------------|---------------|---------------|---------------|
|   |       | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Financial assets:                                 |       |               |               |               |               |
| At fair value through other comprehensive income: |       |               |               |               |               |
| Debt securities                                   | 9     | <b>2,265</b>  | 2,529         | <b>2,265</b>  | 2,529         |
| At amortised costs:                               |       |               |               |               |               |
| Trade and other receivables                       | 12    | <b>8,227</b>  | 10,004        | <b>7,712</b>  | 9,942         |
| Deposits with financial institutions              | 13    | <b>2,500</b>  | 3,000         | <b>2,500</b>  | 3,000         |
| Cash and cash equivalents                         | 14    | <b>4,368</b>  | 5,466         | <b>3,241</b>  | 4,788         |
| Business of insurance accounts                    | 14    | <b>347</b>    | 399           | <b>18</b>     | -             |
|   |       | <b>17,707</b> | 21,398        | <b>15,736</b> | 20,259        |

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 figures disclosed in the table above in respect of trade and other receivables exclude prepayments and indirect taxation.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### Financial assets at fair value through other comprehensive income

The Group's financial investments comprise listed sovereign debt securities having a carrying amount of €1.4 million (2022: €1.4 million) with a credit rating of A, as well as listed debt securities issued by corporates having a carrying amount of €0.5 million (2022: €0.6 million) with a credit rating of BBB. The remaining investments in listed debt instruments issued by local corporates with a carrying amount of €0.4 million (2022: €0.6 million) are unrated. Low credit risk simplification is applied for listed sovereign debt securities. Other listed debt securities are considered by the Directors to have low credit risk as the probability of default is considered to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, financial assets at fair value through other comprehensive income are classified under Level 1 and no loss allowance has been recognised based on 12-month expected credit loss, as any such impairment would be wholly insignificant to the Group and the Company.

#### Deposits with financial institutions, Cash and cash equivalents and Business of insurance accounts

Entities forming part of the Group principally bank with local and European financial institutions with high-quality standing or rating. Balances are primarily callable on demand or within a maximum period of 1 week. Low credit risk simplification is applied and the Directors consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit loss as any such impairment would be wholly insignificant to the Group and the Company.

#### Amounts owed by related parties

The Group's receivables include amounts owed by related parties (Note 12). The Group monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Expected credit losses, based on the assumption that repayment of the balance is on demand, are deemed to be insignificant to the Group and the Company.

#### Trade and other receivables (including contract assets)

The Group 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 affected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are effected in cash.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered. The Group 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 Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Credit risk - continued

The Group monitors the performance of its financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

On that basis the loss allowance for the Group as at 30 September was determined by applying an expected loss rate ranging from 6.24% to 12.12% (2022: 3.18% to 23.26%) on all credit sales generated in the preceding year prior to 30 September resulting in a loss allowance of €90,000 (2022: €145,000) for the Group and €20,000 (2022: €73,000) for the Company.

As at 30 September 2023 the Group was exposed to concentration of credit risk with 51% (2022: 54%) of its trade receivables being attributable to five (2022: four) postal administrators. The Group assesses the credit quality of these administrators by taking into account financial position, performance and other factors. The Group also takes cognisance of the fact that balances with postal administrators in respect of terminal dues are generally cleared and settled through a central clearing house which acts as a credit risk mitigant. Trade receivables include €4.0 million (2022: €6.8 million) terminal due receivables.

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances.

As at 30 September 2023, the Group and the Company had trade receivables amounting to €5,941,000 (2022: €7,234,000) and €5,688,000 (2022: €7,331,000) respectively which were fully performing whilst trade receivables amounting to €431,000 (2022: €86,000) and €257,000 (2022: €66,000) were past due but not impaired. These dues relate to a number of independent parties for whom there is no recent history of default. Trade receivable amounting to €272,000 (2022: €31,000) for the Group and €98,000 (2022: €11,000) for the Company were overdue by at least three months, whereas €159,000 (2022: €56,000) were overdue by at least nine months for the Group and the Company. The movement in provisions for credit loss in respect of trade receivables during the year was as follows:

|                        | <b>Group</b> |       | <b>Company</b> |       |
|------------------------|--------------|-------|----------------|-------|
|                        | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|                        | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| At beginning of year   | <b>145</b>   | 278   | <b>73</b>      | 106   |
| Write-offs             | -            | (62)  | -              | (8)   |
| Decrease in provisions | <b>(54)</b>  | (71)  | <b>(53)</b>    | (25)  |
| At end of year         | <b>91</b>    | 145   | <b>20</b>      | 73    |

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(b) Credit risk - continued*

Reversals of provisions of impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations.

The Group does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed above.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than a year past due.

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an expected credit loss provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

#### *(c) Liquidity risk*

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally lease liabilities and trade and other payables (Notes 17 and 19). 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 Group'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 Group'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 Group'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 financing facilities that it can access to meet liquidity needs. The Group'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 Group'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.

## 2. Financial risk management - continued

### 2.2 Capital risk management - continued

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group 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).

|  | <b>Group and Company<br/>Level 1</b> |              |
|--|--------------------------------------|--------------|
| <b>Assets</b>  | <b>2023</b>                          | <b>2022</b>  |
|  | <b>€'000</b>                         | <b>€'000</b> |
| Financial assets at fair value through other comprehensive income: |                                      |              |
| Debt securities (Note 9)   | <b>2,265</b>                         | 2,529        |

The fair value of financial assets at fair value through other comprehensive income 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

The Group's land and buildings category 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.

**3. Critical accounting estimates and judgements - continued**

*Assessment of matters referred to above*

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these consolidated 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.

#### 4. Property, plant and equipment

##### Group

|  | Land and<br>buildings<br>€'000 | Improvements<br>to leasehold<br>properties<br>€'000 | Fixtures,<br>furniture<br>and fittings<br>€'000 | Equipment<br>€'000 | Motor<br>vehicles<br>€'000 | Total<br>€'000 |
|--|--------------------------------|---|---|--------------------|----------------------------|----------------|
| <b>At 1 October 2021</b>                             |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 17,775                         | 1,561   | 6,822   | 6,467              | 815                        | 33,440         |
| Accumulated depreciation                             | -                              | (859)   | (3,969)   | (5,859)            | (464)                      | (11,151)       |
| <b>Net book amount</b>                               | <b>17,775</b>                  | <b>702</b>  | <b>2,853</b>                                    | <b>608</b>         | <b>351</b>                 | <b>22,289</b>  |
| <b>Year ended<br/>30 September 2022</b>              |                                |   |   |                    |                            |                |
| Opening net book amount                              | 17,775                         | 702   | 2,853   | 608                | 351                        | 22,289         |
| Additions  | 265                            | 66  | 324   | 303                | 558                        | 1,516          |
| Disposals and write-offs                             | -                              | -   | (4)   | -                  | -                          | (4)            |
| Depreciation   | (69)                           | (135)   | (276)   | (260)              | (204)                      | (944)          |
| Depreciation released on<br>disposals and write-offs | -                              | -   | 4   | -                  | -                          | 4              |
| <b>Closing net book amount</b>                       | <b>17,971</b>                  | <b>633</b>  | <b>2,901</b>                                    | <b>651</b>         | <b>705</b>                 | <b>22,861</b>  |
| <b>At 30 September 2022</b>                          |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 18,040                         | 1,627   | 7,142   | 6,770              | 1,373                      | 34,952         |
| Accumulated depreciation                             | (69)                           | (994)   | (4,241)   | (6,119)            | (668)                      | (12,091)       |
| <b>Net book amount</b>                               | <b>17,971</b>                  | <b>633</b>  | <b>2,901</b>                                    | <b>651</b>         | <b>705</b>                 | <b>22,861</b>  |
| <b>Year ended<br/>30 September 2023</b>              |                                |   |   |                    |                            |                |
| Opening net book amount                              | 17,971                         | 633   | 2,901   | 651                | 705                        | 22,861         |
| Additions  | 3                              | 8   | 205   | 191                | 680                        | 1,087          |
| Disposals and write-offs                             | -                              | -   | -   | -                  | (24)                       | (24)           |
| Depreciation   | (73)                           | (154)   | (271)   | (271)              | (357)                      | (1,126)        |
| Depreciation released on<br>disposals and write-offs | -                              | -   | -   | -                  | 24                         | 24             |
| <b>Closing net book amount</b>                       | <b>17,901</b>                  | <b>487</b>  | <b>2,835</b>                                    | <b>571</b>         | <b>1,028</b>               | <b>22,822</b>  |
| <b>At 30 September 2023</b>                          |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 18,043                         | 1,635   | 7,347   | 6,961              | 2,029                      | 36,015         |
| Accumulated depreciation                             | (142)                          | (1,148)   | (4,512)   | (6,390)            | (1,001)                    | (13,193)       |
| <b>Net book amount</b>                               | <b>17,901</b>                  | <b>487</b>  | <b>2,835</b>                                    | <b>571</b>         | <b>1,028</b>               | <b>22,822</b>  |

**4. Property, plant and equipment - continued**

**Company**

|  | Land and<br>buildings<br>€'000 | Improvements<br>to leasehold<br>properties<br>€'000 | Fixtures,<br>furniture<br>and fittings<br>€'000 | Equipment<br>€'000 | Motor<br>vehicles<br>€'000 | Total<br>€'000 |
|--|--------------------------------|---|---|--------------------|----------------------------|----------------|
| <b>At 1 October 2021</b>                             |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 17,775                         | 1,451   | 6,750   | 6,218              | 815                        | 33,009         |
| Accumulated depreciation                             | -                              | (859)   | (3,898)   | (5,614)            | (464)                      | (10,835)       |
| <b>Net book amount</b>                               | <b>17,775</b>                  | <b>592</b>  | <b>2,852</b>                                    | <b>604</b>         | <b>351</b>                 | <b>22,174</b>  |
| <b>Year ended<br/>30 September 2022</b>              |                                |   |   |                    |                            |                |
| Opening net book amount                              | 17,775                         | 592   | 2,852   | 604                | 351                        | 22,174         |
| Additions  | 265                            | 28  | 239   | 295                | 558                        | 1,385          |
| Disposals and write-offs                             | -                              | -   | (4)   | -                  | -                          | (4)            |
| Depreciation   | (69)                           | (130)   | (273)   | (256)              | (204)                      | (932)          |
| Depreciation released on<br>disposals and write-offs | -                              | -   | 4   | -                  | -                          | 4              |
| <b>Closing net book amount</b>                       | <b>17,971</b>                  | <b>490</b>  | <b>2,818</b>                                    | <b>643</b>         | <b>705</b>                 | <b>22,627</b>  |
| <b>At 30 September 2022</b>                          |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 18,040                         | 1,479   | 6,985   | 6,513              | 1,373                      | 34,390         |
| Accumulated depreciation                             | (69)                           | (989)   | (4,167)   | (5,870)            | (668)                      | (11,763)       |
| <b>Net book amount</b>                               | <b>17,971</b>                  | <b>490</b>  | <b>2,818</b>                                    | <b>643</b>         | <b>705</b>                 | <b>22,627</b>  |
| <b>Year ended<br/>30 September 2023</b>              |                                |   |   |                    |                            |                |
| Opening net book amount                              | 17,971                         | 490   | 2,818   | 643                | 705                        | 22,627         |
| Additions  | 3                              | 8   | 205   | 189                | 680                        | 1,085          |
| Disposals and write-offs                             | -                              | -   | -   | -                  | (24)                       | (24)           |
| Depreciation   | (73)                           | (129)   | (258)   | (268)              | (357)                      | (1,085)        |
| Depreciation released on<br>disposals and write-offs | -                              | -   | -   | -                  | 24                         | 24             |
| <b>Closing net book amount</b>                       | <b>17,901</b>                  | <b>369</b>  | <b>2,765</b>                                    | <b>564</b>         | <b>1,028</b>               | <b>22,627</b>  |
| <b>At 30 September 2023</b>                          |                                |   |   |                    |                            |                |
| Cost or valuation                                    | 18,043                         | 1,487   | 7,190   | 6,702              | 2,029                      | 35,451         |
| Accumulated depreciation                             | (142)                          | (1,118)   | (4,425)   | (6,138)            | (1,001)                    | (12,824)       |
| <b>Net book amount</b>                               | <b>17,901</b>                  | <b>369</b>  | <b>2,765</b>                                    | <b>564</b>         | <b>1,028</b>               | <b>22,627</b>  |

**4. Property, plant and equipment - continued**

Property, plant and equipment includes assets relating to the Company's postal museum as follows:

|   | <b>Group and Company<br/>Carrying amount</b> |              |
|---|--|--------------|
|   | <b>2023</b>                                  | <b>2022</b>  |
|   | <b>€'000</b>                                 | <b>€'000</b> |
| <b>At 30 September</b>                      |  |              |
| Land and buildings                          | <b>1,979</b>                                 | 1,986        |
| Furniture, fittings, artefacts and exhibits | <b>866</b>                                   | 856          |
|   | <b>2,845</b>                                 | 2,842        |

*Fair valuation of property*

The land and buildings within property, plant and equipment were last revalued on 30 September 2021 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Management had reviewed the carrying amounts of the properties as at 30 September 2023 and no adjustments to the carrying amount were deemed necessary as at that date taking cognisance of the developments that occurred 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.

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

The Group'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 2022 and 30 September 2023.

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.

#### 4. Property, plant and equipment - continued

##### *Valuation processes*

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

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group'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 and Risk Committee. The Audit and Risk Committee considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the CFO assesses 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 and Risk 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 Group's property, with 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.

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

##### At 30 September 2023 and 2022

| Group and Company   |                                      |  |                                      |  |
|---|--------------------------------------|--|--------------------------------------|--|
| Description by class based on highest and best use                    | Fair value<br>€                      | Valuation<br>technique                   | Significant<br>unobservable<br>input | Range of<br>unobservable<br>inputs<br>(weighted<br>average)<br>€ |
| Current use as office premises, retail outlets and mail delivery hubs | 18.0 million<br>(2022: 18.0 million) | Adjusted sales<br>comparison<br>approach | Sales price<br>metre                 | 1,200 – 4,400  |

**4. Property, plant and equipment - continued**

The Group's improvements to premises not owned by the Group, with a carrying amount of €881,000 (2022: €1,023,000), 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 Group'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:

|                          | <b>Group and Company</b> |              |
|--------------------------|--------------------------|--------------|
|                          | <b>2023</b>              | <b>2022</b>  |
|                          | <b>€'000</b>             | <b>€'000</b> |
| Cost                     | <b>13,781</b>            | 13,789       |
| Accumulated depreciation | <b>(594)</b>             | (578)        |
| Net book amount          | <b>13,187</b>            | 13,211       |

**5. Right-of-use assets**

The statement of financial position reflects the following assets relating to leases:

|                           | <b>Group and Company</b> |              |
|---------------------------|--------------------------|--------------|
|                           | <b>2023</b>              | <b>2022</b>  |
|                           | <b>€'000</b>             | <b>€'000</b> |
| Properties                | <b>1,587</b>             | 1,208        |
| Motor vehicles            | <b>74</b>                | 135          |
| Total right-of-use assets | <b>1,661</b>             | 1,343        |

The movement in the carrying amount of these assets is analysed in the following table:

|   | <b>Group and Company</b> |              |
|---|--------------------------|--------------|
|   | <b>2023</b>              | <b>2022</b>  |
|   | <b>€'000</b>             | <b>€'000</b> |
| At beginning of year  | <b>1,343</b>             | 1,534        |
| Impact of reassessment of lease term in respect of extensions | <b>521</b>               | -            |
| Additions   | <b>90</b>                | 101          |
| Depreciation  | <b>(293)</b>             | (292)        |
| At end of year  | <b>1,661</b>             | 1,343        |

**6. Intangible assets**

| <b>Group</b>                        | Leasehold<br>€'000 | Computer<br>software<br>€'000 | Total<br>€'000 |
|-------------------------------------|--------------------|-------------------------------|----------------|
| <b>At 1 October 2021</b>            |                    |                               |                |
| Cost                                | 141                | 2,077                         | 2,218          |
| Accumulated amortisation            | (18)               | (1,033)                       | (1,051)        |
| Net book amount                     | <b>123</b>         | <b>1,044</b>                  | <b>1,167</b>   |
| <b>Year ended 30 September 2022</b> |                    |                               |                |
| Opening net book amount             | 123                | 1,044                         | 1,167          |
| Additions                           | -                  | 629                           | 629            |
| Amortisation                        | (18)               | (571)                         | (589)          |
| Closing net book amount             | <b>105</b>         | <b>1,102</b>                  | <b>1,207</b>   |
| <b>At 30 September 2022</b>         |                    |                               |                |
| Cost                                | 141                | 2,706                         | 2,847          |
| Accumulated amortisation            | (36)               | (1,604)                       | (1,640)        |
| Net book amount                     | <b>105</b>         | <b>1,102</b>                  | <b>1,207</b>   |
| <b>Year ended 30 September 2023</b> |                    |                               |                |
| Opening net book amount             | 105                | 1,102                         | 1,207          |
| Additions                           | -                  | 667                           | 667            |
| Amortisation                        | (18)               | (537)                         | (555)          |
| Closing net book amount             | <b>87</b>          | <b>1,232</b>                  | <b>1,319</b>   |
| <b>At 30 September 2023</b>         |                    |                               |                |
| Cost                                | 141                | 3,373                         | 3,514          |
| Accumulated amortisation            | (54)               | (2,141)                       | (2,195)        |
| Net book amount                     | <b>87</b>          | <b>1,232</b>                  | <b>1,319</b>   |

**6. Intangible assets - continued**

| <b>Company</b>                      | <b>Computer software<br/>€'000</b> |
|-------------------------------------|------------------------------------|
| <b>At 1 October 2021</b>            |                                    |
| Cost                                | 2,077                              |
| Accumulated amortisation            | (1,033)                            |
| Net book amount                     | <u>1,044</u>                       |
| <b>Year ended 30 September 2022</b> |                                    |
| Opening net book amount             | 1,044                              |
| Additions                           | 629                                |
| Amortisation                        | (571)                              |
| Closing net book amount             | <u>1,102</u>                       |
| <b>At 30 September 2022</b>         |                                    |
| Cost                                | 2,706                              |
| Accumulated amortisation            | (1,604)                            |
| Net book amount                     | <u>1,102</u>                       |
| <b>Year ended 30 September 2023</b> |                                    |
| Opening net book amount             | 1,102                              |
| Additions                           | 667                                |
| Amortisation                        | (537)                              |
| Closing net book amount             | <u>1,232</u>                       |
| <b>At 30 September 2023</b>         |                                    |
| Cost                                | 3,373                              |
| Accumulated amortisation            | (2,141)                            |
| Net book amount                     | <u>1,232</u>                       |

## 7. Investment in subsidiaries

|   | <b>Company</b> |              |
|---|----------------|--------------|
|   | <b>2023</b>    | <b>2022</b>  |
|   | <b>€'000</b>   | <b>€'000</b> |
| Cost and carrying amount at beginning of year         | <b>416</b>     | 416          |
| Cost and carrying amount at beginning and end of year | <b>416</b>     | 416          |

The carrying amount of the investment at 30 September 2023 and 2022 is equivalent to the cost of investment. The subsidiaries at 30 September 2023 and 2022 is shown below:

| <b>Subsidiary</b>   | <b>Registered office</b>                              | <b>Percentage of shares held</b> | <b>Nature of business</b>    |
|---|---|----------------------------------|------------------------------|
| Tanseana Limited  | 305, Qormi Road, Marsa, MTP 1001, Malta               | 100% of ordinary shares          | Document management services |
| Ciabro Limited formerly known as Ciantar Brothers Limited | 22, Warehouse il-Moll tal-Pont, Marsa, MRS1400, Malta | 100% of ordinary shares          | Warehousing                  |
| Postalnsure Agency Limited                                | 4, Old Bakery Street, Valletta, VLT 1450, Malta       | 49% of ordinary shares           | Insurance agent              |

### ***Ciabro Limited formerly known as Ciantar Brothers Limited***

On 26 April 2021, MaltaPost entered into a share purchase agreement with the shareholders of Ciabro Limited (CIABRO), a limited liability company registered in Malta under the Companies Act (Cap.386), with registration number C 577 and registered office at 22, Warehouse il-Moll tal-Pont, Marsa MRS1400, for the purchase of 100% of the issued share capital for a consideration of €140,000. The purchase consideration was deemed equivalent to the fair value of the 100% equity holding in CBL and accordingly of the identifiable assets and liabilities of CBL as at date of acquisition, which principally comprised intangible assets. During 2023, the company changed its name to Ciabro Limited.

### ***Postalnsure Agency Limited***

On 5 November 2020, MaltaPost entered into a share purchase agreement with Postalnsure Agency Limited (Postalnsure), formerly Untours Insurance Agents Limited, a limited liability company registered in Malta under the Companies Act (Cap.386), with registration number C 5655 and registered office at 4, Old Bakery Street, Valletta, for the purchase of 49% of the issued share capital for a consideration of €275,000. The transfer of shares was affected on 9 December 2020, at which date MaltaPost also acquired control over the company in view of its rights to appoint 60% of Postalnsure's board of directors. The purchase consideration was deemed equivalent to the fair value of the 49% equity holding in Postalnsure.

**7. Investment in subsidiaries – continued**

In the twelve-month period to 30 September 2023, Postalnsure contributed revenue of €461,000 (2022: €367,000) and profit of €73,000 (2022: profit of €41,000).

Postalnsure is principally engaged in providing general insurance services, a service offering that is ancillary to services currently provided by MaltaPost. This acquisition is expected to give rise to synergies within the Group.

*Non-controlling interest (NCI)*

Set out below is summarised financial information for the subsidiary that has non-controlling interest. The amounts disclosed are before inter-company eliminations.

| <b>Summarised statement of financial position</b> | <b>2023</b>    | 2022  |
|---|----------------|-------|
|   | <b>€'000</b>   | €'000 |
| Current assets                                    | <b>2,146</b>   | 1,384 |
| Current liabilities                               | <b>(1,420)</b> | (772) |
| <b>Current net assets</b>                         | <b>726</b>     | 612   |
| <b>Net assets</b>                                 | <b>776</b>     | 703   |
| <b>Accumulated NCI</b>                            | <b>445</b>     | 408   |

**Summarised statement of comprehensive income**

|   | <b>2023</b>  | 2022  |
|---|--------------|-------|
|   | <b>€'000</b> | €'000 |
| Revenue   | <b>461</b>   | 394   |
| Profit for the period                                       | <b>73</b>    | 41    |
| Profit allocated to NCI                                     | <b>37</b>    | 21    |
| <b>Summarised cash flows</b>                                |              |       |
| Cash flows from operating activities                        | <b>371</b>   | (86)  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>371</b>   | (86)  |

**8. Investment in associate**

|                                | <b>Group</b>   |       | <b>Company</b> |       |
|--------------------------------|----------------|-------|----------------|-------|
|                                | <b>2023</b>    | 2022  | <b>2023</b>    | 2022  |
|                                | <b>€'000</b>   | €'000 | <b>€'000</b>   | €'000 |
| <b>Year ended 30 September</b> |                |       |                |       |
| Opening carrying amount        | <b>1,084</b>   | 1,507 | <b>1,875</b>   | 1,875 |
| Additions                      | <b>1,000</b>   | -     | <b>1,000</b>   | -     |
| Share of results               | <b>(368)</b>   | (423) | -              | -     |
| Closing carrying amount        | <b>1,716</b>   | 1,084 | <b>2,875</b>   | 1,875 |
| <b>At 30 September</b>         |                |       |                |       |
| Cost                           | <b>2,875</b>   | 1,875 | <b>2,875</b>   | 1,875 |
| Share of results               | <b>(1,159)</b> | (791) | -              | -     |
| Carrying amount                | <b>1,716</b>   | 1,084 | <b>2,875</b>   | 1,875 |

The associate at 30 September 2023 and 2022 is shown below:

| <b>Associate</b>          | <b>Registered office</b>   | <b>Percentage of shares and voting rights held</b> | <b>Nature of business</b> |
|---------------------------|--|--|---------------------------|
| IVALIFE Insurance Limited | Centris Business Gateway II, Level 1D, Triq is- Salib tal- Imriehel, Central Business District, Birkirkara, CBD 3020 Malta | 25% of ordinary shares                             | Insurance                 |

MaltaPost controls 25% of the share capital (and holds an equivalent amount of voting rights) of IVALIFE Insurance Limited, an unlisted company which was incorporated in Malta towards the end of 2019 and commenced operations in 2021. The company was established to provide Class I and Class III long term business of insurance within Malta. During the year ended 30 September 2023, MaltaPost further injected capital amounting to €1,000,000 in its associate IVALIFE Insurance Limited. The Group's 25% share of the losses registered by the associate during the current financial year, amounting to €368,000, was reflected within the Group's 2023 financial results.

The associate has capital and reserves as at 30 September 2023 amounting to €6,865,000 (2022: €4,336,000) and registered a loss for the year amounting to €1,471,000 (2022: €1,693,000).

**9. Financial assets at fair value through other comprehensive income**

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

|   | <b>Group and Company</b> |              |
|---|--------------------------|--------------|
|   | <b>2023</b>              | <b>2022</b>  |
|   | <b>€'000</b>             | <b>€'000</b> |
| <i>Financial assets at fair value through other comprehensive income:</i> |                          |              |
| Non-current   | <b>2,265</b>             | 2,529        |
| <hr/>   |                          |              |
| <b>Year ended 30 September</b>  |                          |              |
| Opening carrying amount   | <b>2,529</b>             | 2,900        |
| Disposals/redemptions   | <b>(132)</b>             | (26)         |
| Net fair value movements (Note 16)  | <b>(132)</b>             | (337)        |
| Amortisation  | -                        | (8)          |
| <hr/>   |                          |              |
| Closing carrying amount   | <b>2,265</b>             | 2,529        |
| <hr/>   |                          |              |
| <b>At 30 September</b>  |                          |              |
| Amortised cost  | <b>2,340</b>             | 2,472        |
| Accumulated fair value gains  | <b>(75)</b>              | 57           |
| <hr/>   |                          |              |
| Carrying amount   | <b>2,265</b>             | 2,529        |
| <hr/>   |                          |              |

Financial assets at fair value through other comprehensive income consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 3% to 6% (2022: 3% to 6%). The weighted average effective interest rate as at 30 September 2023 was 4% (2022: 4%). For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices.

**10. 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% (2022: 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 €1,299,000 as at 30 September 2023 (2022: €1,299,000).

**10. Deferred tax assets and liabilities - continued**

The balance at 30 September represents temporary differences attributable to:

|  | Group          |               | Company        |               |
|--|----------------|---------------|----------------|---------------|
|  | 2023<br>€'000  | 2022<br>€'000 | 2023<br>€'000  | 2022<br>€'000 |
| <b>Assets</b>                                      |                |               |                |               |
| <i>Reflected within profit or loss</i>             |                |               |                |               |
| Depreciation of property, plant and equipment      | 99             | 25            | 97             | 3             |
| Provisions   | 32             | 51            | 7              | 26            |
| Unabsorbed tax losses                              | 16             | 36            | -              | -             |
| <i>Reflected within other comprehensive income</i> |                |               |                |               |
| Provision for liabilities and charges              | 166            | 225           | 166            | 225           |
|  | <b>313</b>     | 337           | <b>270</b>     | 254           |
| <b>Liabilities</b>                                 |                |               |                |               |
| <i>Reflected within other comprehensive income</i> |                |               |                |               |
| Fair valuation of land and buildings               | (1,299)        | (1,299)       | (1,299)        | (1,299)       |
|  | <b>(1,299)</b> | (1,299)       | <b>(1,299)</b> | (1,299)       |

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

|  | Group          |               | Company        |               |
|--|----------------|---------------|----------------|---------------|
|  | 2023<br>€'000  | 2022<br>€'000 | 2023<br>€'000  | 2022<br>€'000 |
| <b>Assets</b>                                  |                |               |                |               |
| At beginning of year                           | 337            | 495           | 254            | 393           |
| Charge to profit or loss (Note 25)             | 35             | (66)          | 75             | (47)          |
| Charge to other comprehensive income (Note 16) | (59)           | (92)          | (59)           | (92)          |
| At end of year                                 | <b>313</b>     | 337           | <b>270</b>     | 254           |
| <b>Liabilities</b>                             |                |               |                |               |
| At the beginning and end of year               | <b>(1,299)</b> | (1,299)       | <b>(1,299)</b> | (1,299)       |
| Net deferred tax liability                     | <b>(986)</b>   | (962)         | <b>(1,029)</b> | (1,045)       |

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 liabilities and assets reflected in other comprehensive income relate to temporary differences attributable to fair valuation of land and buildings within property, plant and equipment (Note 16) and to provision for actuarial losses in respect of pension obligations (Note 18) respectively.

## 11. Inventories

|                              | Group         |               | Company       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Inventories for resale       | 272           | 218           | 272           | 218           |
| Other inventory items        | 327           | 312           | 325           | 309           |
| Stamps and postal stationery | 153           | 139           | 153           | 139           |
|                              | <b>752</b>    | 669           | <b>750</b>    | 666           |

During the year 2023 an amount of €12,000 (2022: Nil) was written off from inventory.

## 12. Trade and other receivables

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>Current</b>                                |               |               |               |               |
| Trade receivables - gross                     | 4,422         | 5,804         | 4,422         | 5,796         |
| Receivables arising on insurance transactions | 555           | 322           | -             | -             |
| Provisions for expected credit loss           | (91)          | (145)         | (20)          | (73)          |
| Trade receivables - net                       | <b>4,886</b>  | 5,981         | <b>4,402</b>  | 5,723         |
| Amounts due from parent undertaking           | 39            | 78            | 39            | 78            |
| Amounts due from subsidiary undertakings      | -             | -             | 186           | 230           |
| Amounts due from related undertakings         | 1,338         | 1,401         | 1,297         | 1,367         |
| Contract assets                               | 1,784         | 2,544         | 1,784         | 2,544         |
| Prepayments and accrued income                | 638           | 699           | 589           | 680           |
|   | <b>8,685</b>  | 10,703        | <b>8,297</b>  | 10,622        |

Amounts due from group and from related undertakings are interest free, unsecured and repayable on demand. The Group's exposures to credit and currency risks together with impairment losses relating to trade and other receivables are disclosed in Note 2.

## 13. Deposits with financial institutions

|                 | Group and Company |               |
|-----------------|-------------------|---------------|
|                 | 2023<br>€'000     | 2022<br>€'000 |
| Term placements | <b>2,500</b>      | 3,000         |

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

#### 14. Cash and cash equivalents

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

|                                | <b>Group</b> |       | <b>Company</b> |       |
|--------------------------------|--------------|-------|----------------|-------|
|                                | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|                                | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| Cash and balances with banks   | <b>4,368</b> | 5,466 | <b>3,241</b>   | 4,788 |
| Business of insurance accounts | <b>347</b>   | 399   | <b>18</b>      | -     |
|                                | <b>4,715</b> | 5,865 | <b>3,259</b>   | 4,788 |

Cash and cash equivalents as at 30 September 2023 include amounts collected on behalf of third parties, amounting to €640,000 (2022: €562,000) as disclosed in Note 19.

The use of the business of insurance accounts is restricted in terms of Chapter 8 of the Insurance Distribution Rules, 2019.

#### 15. Share capital

|  | <b>Company</b> |        |
|--|----------------|--------|
|  | <b>2023</b>    | 2022   |
|  | <b>€'000</b>   | €'000  |
| <b>Authorised</b>                          |                |        |
| 112,000,000 ordinary shares of €0.125 each | <b>14,000</b>  | 14,000 |
| <b>Issued and fully paid up</b>            |                |        |
| 77,512,020 ordinary shares of €0.125 each  | <b>9,689</b>   | 9,414  |

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.

The Annual General Meeting (AGM) of 16 February 2023 approved a final ordinary gross dividend of €0.0615 (net €0.04) per nominal €0.25 share, either in cash or by the issue of new shares at the option of each individual shareholder and the increase of the issued share capital accordingly and the Redenomination of Nominal Value of the Share Capital (Share Split) from €0.25 per ordinary share to €0.125 per ordinary share. On 16 March 2023, 1,101,290 ordinary shares of €0.25 each at a premium of €0.84 each were allotted to shareholders as a scrip issue in lieu of dividends thereby increasing the issued and fully paid up share capital to 38,756,010 shares of €0.25 each, resulting in a paid up share capital of €9,689,003. The affect on the share premium account, is presented in the statement of changes in equity. Following the share split, the total number of issued shares amount to 77,512,020 shares.

**16. Other reserves**

| <b>Group and Company</b>   | Notes | Property<br>revaluation<br>reserve<br>€'000 | Investment<br>fair value<br>reserve<br>€'000 | Other<br>reserve<br>€'000 | Total<br>€'000 |
|--|-------|---|--|---------------------------|----------------|
| At 1 October 2021  |       | 4,082                                       | 394  | (578)                     | 3,898          |
| Remeasurements of defined benefit obligations                      |       |   |  |                           |                |
| Actuarial gains  | 18    | -   | -  | 262                       | 262            |
| Deferred taxes   | 10    | -   | -  | (92)                      | (92)           |
| Financial assets at fair value through other comprehensive income: |       |   |  |                           |                |
| Losses from changes in fair value                                  | 9     | -   | (337)  | -                         | (337)          |
| <b>At 30 September 2022</b>  |       | <b>4,082</b>                                | <b>57</b>                                    | <b>(408)</b>              | <b>3,731</b>   |
| At 1 October 2022  |       | 4,082                                       | 57   | (408)                     | 3,731          |
| Remeasurements of defined benefit obligations                      |       |   |  |                           |                |
| Actuarial gains  | 18    | -   | -  | 159                       | 159            |
| Deferred taxes   | 10    | -   | -  | (59)                      | (59)           |
| Financial assets at fair value through other comprehensive income: |       |   |  |                           |                |
| Losses from changes in fair value                                  | 9     | -   | (132)  | -                         | (132)          |
| <b>At 30 September 2023</b>  |       | <b>4,082</b>                                | <b>(75)</b>                                  | <b>(308)</b>              | <b>3,699</b>   |

*Property revaluation reserve*

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.

*Fair value through other comprehensive income fair value reserve*

The fair value reserve represents changes in fair value of financial assets measured at fair value through other comprehensive income 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 18) recognised in other comprehensive income in accordance with the Group's accounting policy, net of any related deferred tax impacts.

## 17. Lease liabilities

The lease liabilities associated with the recognised right-of-use assets are analysed below:

|                                     | <b>Group and Company</b> |       |
|-------------------------------------|--------------------------|-------|
|                                     | <b>2023</b>              | 2022  |
|                                     | <b>€'000</b>             | €'000 |
| <b>Non-current</b>                  |                          |       |
| Properties                          | 1,417                    | 1,067 |
| Motor vehicles                      | 12                       | 40    |
| Total non-current lease liabilities | <b>1,429</b>             | 1,107 |
| <b>Current</b>                      |                          |       |
| Properties                          | 237                      | 169   |
| Motor vehicles                      | 64                       | 97    |
| Total current lease liabilities     | <b>301</b>               | 266   |
| Total lease liabilities             | <b>1,730</b>             | 1,373 |

Specific extension options in property and motor vehicle leases have been included in the lease liability as the lease term reflects the exercise of such options.

The total cash outflows for leases in 2023 was €336,000 (2022: €336,000).

Included in lease liabilities for properties are amounts of €463,000 (2022: €475,000) which are attributable to arrangements with related parties.

The movement in the carrying amount of these assets is analysed in the following table:

|   | <b>Group and Company</b> |       |
|---|--------------------------|-------|
|   | <b>2023</b>              | 2022  |
|   | <b>€'000</b>             | €'000 |
| At beginning of year  | 1,373                    | 1,562 |
| Impact of reassessment of lease term in respect of extensions | 543                      | -     |
| Payments  | (336)                    | (336) |
| Additions   | 91                       | 98    |
| Interest charge   | 59                       | 49    |
| At end of year  | <b>1,730</b>             | 1,373 |

**18. 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:

|   | <b>Group and Company</b> |              |
|---|--------------------------|--------------|
|   | <b>2023</b>              | <b>2022</b>  |
|   | <b>€'000</b>             | <b>€'000</b> |
| Present value of unfunded obligation                    | <b>1,817</b>             | 3,754        |
| Crystallised obligation                                 | <b>(783)</b>             | (1,750)      |
| Fair value of obligation to be reimbursed by Government | -                        | (699)        |
|   | <b>1,034</b>             | 1,305        |
| Provision reflected in financial statements             | <b>1,034</b>             | 1,305        |

The provision is analysed in the statement of financial position as follows:

|             | <b>Group and Company</b> |              |
|-------------|--------------------------|--------------|
|             | <b>2023</b>              | <b>2022</b>  |
|             | <b>€'000</b>             | <b>€'000</b> |
| Non-current | <b>908</b>               | 1,153        |
| Current     | <b>126</b>               | 152          |
|             | <b>1,034</b>             | 1,305        |

The movement for the year is made up of:

|  | <b>Group and Company</b> |              |
|--|--------------------------|--------------|
|  | <b>2023</b>              | <b>2022</b>  |
|  | <b>€'000</b>             | <b>€'000</b> |
| Credit / (charge) to profit or loss            | <b>429</b>               | (28)         |
| Credit to other comprehensive income (Note 16) | <b>159</b>               | 262          |
| Crystallised obligation                        | <b>150</b>               | 139          |
| Effects of settlement                          | <b>(467)</b>             | -            |
|  | <b>271</b>               | 373          |

The amount recognised in other comprehensive income is as follows:

|   | <b>Group and Company</b> |              |
|---|--------------------------|--------------|
|   | <b>2023</b>              | <b>2022</b>  |
|   | <b>€'000</b>             | <b>€'000</b> |
| Net actuarial gains                     |                          |              |
| - attributable to financial assumptions | <b>159</b>               | 262          |

**18. Provision for liabilities and charges - continued**

Crystallised obligations relate to amounts which became payable as at the end of the reporting period. In computing the provision, the Group used a weighted average discount rate of 4.42% (2022: 3.85%). Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 83 (83 in 2022) depending on age and gender of the beneficiaries.

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

**19. Trade and other payables**

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>Current</b>   |               |               |               |               |
| Trade payables   | 7,241         | 7,149         | 7,049         | 7,143         |
| Payables arising on insurance transactions             | 9             | 191           | -             | -             |
| Amounts due to principals                              | 1,040         | 504           | -             | -             |
| Amounts owed to subsidiary undertakings                | -             | -             | 214           | 89            |
| Amounts collected on behalf of third parties (Note 14) | 640           | 562           | 640           | 562           |
| Amounts owed to related undertakings                   | 1,123         | 1,917         | 1,123         | 1,914         |
| Other payables   | 37            | 62            | 37            | 61            |
| Indirect taxes and social security                     | 595           | 4,430         | 406           | 4,360         |
| Contract liabilities                                   | 370           | 259           | 370           | 259           |
| Accruals and deferred income                           | 3,354         | 3,453         | 3,296         | 3,394         |
|  | <b>14,409</b> | <b>18,527</b> | <b>13,135</b> | <b>17,782</b> |

Amounts owed to subsidiary and to related undertakings are interest free, unsecured and repayable on demand.

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

## 20. Revenue

Revenue is analysed as follows:

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <b>By activity</b>              |               |               |               |               |
| Postal                          | 33,957        | 26,162        | 33,957        | 26,162        |
| Philatelic                      | 284           | 382           | 284           | 382           |
| Insurance commission            | 461           | 367           | 29            | -             |
| Other                           | 4,908         | 4,602         | 4,779         | 4,589         |
|                                 | <b>39,610</b> | 31,513        | <b>39,049</b> | 31,133        |
| <b>By geographical segments</b> |               |               |               |               |
| Local                           | 19,018        | 18,216        | 18,457        | 17,836        |
| International cross-border      | 20,592        | 13,297        | 20,592        | 13,297        |
|                                 | <b>39,610</b> | 31,513        | <b>39,049</b> | 31,133        |

The Group 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.

## 21. Expenses by nature

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Employee benefits expense (Note 22)               | 15,059        | 15,425        | 14,811        | 15,243        |
| Depreciation and amortisation<br>(Notes 4, 5, 6)  | 1,974         | 1,825         | 1,915         | 1,795         |
| Foreign direct mail costs                         | 14,889        | 8,904         | 14,889        | 8,904         |
| Property operating lease rentals                  | 110           | 83            | 155           | 79            |
| Motor vehicle operating lease and rental<br>costs | 391           | 467           | 383           | 460           |
| Other expenses                                    | 4,663         | 4,098         | 4,483         | 3,969         |
|   | <b>37,086</b> | 30,802        | <b>36,636</b> | 30,450        |

### Items of an unusual nature, size or incidence reflected within profit or loss

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| <i>Non-recurring items</i>                    |               |               |               |               |
| Movement in provisions for pensions (Note 18) | (429)         | -             | (429)         | -             |

**21. Expenses by nature - continued**

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

|                              | Group         |               | Company       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Annual statutory audit       | 73            | 70            | 56            | 45            |
| Other assurance services     | 18            | 18            | 18            | 18            |
| Other non-assurance services | 6             | 1             | 6             | -             |
|                              | <b>96</b>     | 89            | <b>79</b>     | 63            |

The other non-assurance services provided to the Group and Company related to a VAT audit of computer system at the MaltaPost post offices (2022 Group: tax advisory and compliance services)

During the current year fees in relation to non-assurance services amounting to €5,000 to the Group and the Company (2022 Group: €1,600) have been charged by connected undertakings of the Company's auditor in respect of tax advisory and compliance services.

**22. Employee benefits expense**

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Wages and salaries                 | 14,103        | 13,978        | 13,325        | 13,337        |
| Other staff costs                  | 211           | 186           | 816           | 715           |
| Social security and indirect tax   | 1,174         | 1,201         | 1,099         | 1,131         |
|                                    | <b>15,488</b> | 15,365        | <b>15,240</b> | 15,183        |
| Movement in provisions for pension | (429)         | -             | (429)         | -             |
|                                    | <b>15,059</b> | 15,365        | <b>14,811</b> | 15,183        |

Average number of full time equivalent persons employed during the year:

|             | Group         |               | Company       |               |
|-------------|---------------|---------------|---------------|---------------|
|             | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Operational | 640           | 678           | 590           | 631           |
| Management  | 55            | 57            | 54            | 56            |
|             | <b>695</b>    | 735           | <b>644</b>    | 687           |

**23. Other income**

|                         | <b>Group</b> |       | <b>Company</b> |       |
|-------------------------|--------------|-------|----------------|-------|
|                         | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|                         | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| COVID-19 related grants | -            | 25    | -              | -     |
| Other grants            | <b>108</b>   | 254   | <b>108</b>     | 254   |
|                         | <b>108</b>   | 279   | <b>108</b>     | 254   |

The COVID-19 related grants represented funds received to provide employees with a minimum wage cover to address the disruption caused by the pandemic.

**24. Finance income**

|  | <b>Group and Company</b> |       |
|--|--------------------------|-------|
|  | <b>2023</b>              | 2022  |
|  | <b>€'000</b>             | €'000 |
| Interest income from bank balances and debt securities | <b>113</b>               | 119   |

**25. Tax expense**

|                                | <b>Group</b> |       | <b>Company</b> |       |
|--------------------------------|--------------|-------|----------------|-------|
|                                | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|                                | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| Current tax expense            | <b>470</b>   | 285   | <b>456</b>     | 282   |
| Deferred tax expense (Note 10) | <b>(35)</b>  | 66    | <b>(75)</b>    | 47    |
| Tax expense                    | <b>435</b>   | 351   | <b>381</b>     | 329   |

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

|   | <b>Group</b> |       | <b>Company</b> |       |
|---|--------------|-------|----------------|-------|
|   | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|   | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| Profit before tax   | <b>2,318</b> | 637   | <b>2,575</b>   | 1,007 |
| Tax at 35%  | <b>811</b>   | 223   | <b>901</b>     | 352   |
| Tax effect of:  |              |       |                |       |
| Income taxed at different rates   | <b>(22)</b>  | (23)  | <b>(22)</b>    | (23)  |
| Impact of share of results of associate   | <b>129</b>   | 148   | -              | -     |
| Non-temporary differences arising from<br><i>Deductions (electric vehicles) rules</i> | <b>(445)</b> |       | <b>(445)</b>   | -     |
| Other differences   | <b>(38)</b>  | 3     | <b>(53)</b>    | -     |
| Tax expense   | <b>435</b>   | 351   | <b>381</b>     | 329   |

**26. Directors' emoluments**

|                 | <b>Group and Company</b> |              |
|-----------------|--------------------------|--------------|
|                 | <b>2023</b>              | <b>2022</b>  |
|                 | <b>€'000</b>             | <b>€'000</b> |
| Directors' fees | <b>75</b>                | <b>60</b>    |

The Company paid insurance premia of €12,160 (2022: €12,160) during the year, in respect of professional indemnity.

**27. 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.

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2023</b>   | <b>2022</b>   |
| Profit attributable to equity holders (€'000)                   | <b>1,883</b>  | <b>286</b>    |
| Weighted average number of ordinary shares in issue (thousands) | <b>76,675</b> | <b>75,309</b> |
| Earnings per share (basic and diluted)                          | <b>€0.020</b> | <b>€0.004</b> |

Following the share split effected during the year (Note 15), the total number of shares in issue as at 30 September 2023 increased from 37,654,720 to 77,512,020. In view of this the basic and diluted earnings per share for the prior year have been restated from €0.01 to €0.004.

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

**28. Dividends**

|                              | <b>Company</b> |              |
|------------------------------|----------------|--------------|
|                              | <b>2023</b>    | <b>2022</b>  |
|                              | <b>€'000</b>   | <b>€'000</b> |
| Dividends on ordinary shares | <b>1,506</b>   | <b>1,506</b> |
| € per share (net)            | <b>€0.04</b>   | <b>€0.04</b> |

The Annual General Meeting (AGM) of the 16 February 2023 approved a final ordinary gross dividend of €0.0615 (net €0.04) per nominal €0.25 share, either in cash or by the issue of new shares at the option of each individual shareholder and to increase the issued share capital accordingly and the Redenomination of Nominal Value of the Share Capital (Share Split) from €0.25 per ordinary share to €0.125 per ordinary share. On 16 March 2023, 1,101,290 ordinary shares of €0.25 each at a premium of €0.84 each were allotted to shareholders as a scrip issue in lieu of dividends thereby increasing the issued and fully paid up share capital to 38,756,010 shares of €0.25 each, resulting in a paid up share capital of €9,689,003.

At the forthcoming Annual General Meeting, a final net dividend of €0.02 per share amounting to €1,506,000, in respect of the financial year ended 30 September 2023 is to be proposed. These financial statements do not reflect this final dividend 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 2024.

## 29. Commitments

### Operating lease commitments

The Group leases various premises and other assets under operating leases. The future minimum lease payments under non-cancellable operating leases, with a remaining lease term of less than 12 months amounted to €538,000 (2022: €539,000).

Specific lease arrangements include an option to renew the lease after the original term but the amounts presented above do not reflect lease charges applicable to the renewal period.

The Company is also committed to pay an annual licence fee of 1.50% of its total gross revenue from postal services within the scope of the universal services.

### Capital commitments

|                                | Group         |               | Company       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2023<br>€'000 | 2022<br>€'000 | 2023<br>€'000 | 2022<br>€'000 |
| Authorised and contracted for: |               |               |               |               |
| Property, plant and equipment  | -             | 220           | -             | 220           |

## 30. Contingencies

As a result of its operations and activities in the ordinary course of business, the Group has, as at 30 September 2023, contingent liabilities arising from guarantees in favour of third parties and from performance bonds amounting to €468,000 (2022: €370,000).

## 31. Related party transactions

The following entities are considered to be related parties of the Company:

- Tanseana Limited (MaltaPost p.l.c.'s wholly-owned subsidiary)
- Redbox Limited (direct parent company)
- Lombard Bank Malta p.l.c. (indirect parent company)
- National Development and Social Fund
- all entities controlled by the above

Lombard Bank Malta p.l.c. (via its wholly-owned subsidiary Redbox Limited) holds 71.5% shareholding in MaltaPost p.l.c. In turn, the National Development and Social Fund (NDSF) holds 49.01% shareholding in Lombard Bank Malta p.l.c. Consequently, Government of Malta and other government entities are considered to be parties related to MaltaPost p.l.c. Nevertheless, in its Company Announcement dated 10 August 2018, Lombard Bank Malta p.l.c., reported that:

**31. Related party transactions - continued**

*Quote*

*The NDSF had reaffirmed that:*

- *it does not intend to increase its holdings in the Bank;*
- *it shall not act in concert with any other shareholders;*
- *it will seek to reduce its shareholding in the Bank in an orderly manner, at the right market conditions and by agreement with the regulatory authorities;*
- *it has no intention of exerting any influence on the operations of the Bank; and*
- *this acquisition will not result in a change in control of the Bank.*

*Unquote*

The sale of stamps to entities referred to above is made directly or indirectly by the Company in the normal course of business at arm's length prices and is included within 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 related parties:

|                                | <b>Company</b> |              |
|--------------------------------|----------------|--------------|
|                                | <b>2023</b>    | <b>2022</b>  |
|                                | <b>€'000</b>   | <b>€'000</b> |
| <i>Subsidiaries</i>            |                |              |
| Services provided to           | <b>41</b>      | 10           |
| Services provided by           | <b>865</b>     | 757          |
|                                |                |              |
| <b>Group and Company</b>       |                |              |
|                                | <b>2023</b>    | <b>2022</b>  |
|                                | <b>€'000</b>   | <b>€'000</b> |
| <i>Indirect parent</i>         |                |              |
| Services provided to           | <b>320</b>     | 205          |
| Goods and services provided by | <b>225</b>     | 215          |
| <i>Other related parties</i>   |                |              |
| Services provided to           | <b>6,297</b>   | 7,226        |
| Services provided by           | <b>2,316</b>   | 3,223        |
| Postal licence fee             | <b>236</b>     | 239          |
|                                |                |              |

Year end balances with related parties arising from the above transactions are disclosed in Notes 12 and 19 to these financial statements. Included in 'Amounts collected on behalf of third parties' within 'Trade and other payables' are amounts that the Company processes on behalf of government entities which result in revenue, amounting to €556,000 (2022: €437,000).

Financial assets at fair value through other comprehensive income include:

|                                  | <b>Group and Company</b> |              |
|----------------------------------|--------------------------|--------------|
|                                  | <b>2023</b>              | <b>2022</b>  |
|                                  | <b>€'000</b>             | <b>€'000</b> |
| <i>Related party</i>             |                          |              |
| Malta Government debt securities | <b>1,154</b>             | 1,370        |
|                                  |                          |              |

**31. Related party transactions - continued**

Cash and cash equivalents include:

|   | <b>Group</b> |       | <b>Company</b> |       |
|---|--------------|-------|----------------|-------|
|   | <b>2023</b>  | 2022  | <b>2023</b>    | 2022  |
|   | <b>€'000</b> | €'000 | <b>€'000</b>   | €'000 |
| <i>Indirect parent</i>  |              |       |                |       |
| Term placements and bank balances held with Lombard Bank Malta p.l.c. | <b>1,350</b> | 1,241 | <b>1,350</b>   | 1,235 |

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 26.

**32. Statutory information**

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

## Five-year summary

### Accounting ratios

|  | <b>01/10/22</b><br>to<br><b>30/09/23</b><br>% | 01/10/21<br>to<br>30/09/22<br>% | 01/10/20<br>to<br>30/09/21<br>% | 01/10/19<br>to<br>30/09/20<br>% | 01/10/18<br>to<br>30/09/19<br>% |
|--|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Gross profit margin                    | <b>18.87</b>                                  | 16.54                           | 18.32                           | 21.64                           | 21.04                           |
| Operating profit margin                | <b>6.46</b>                                   | 3.02                            | 6.65                            | 8.29                            | 8.03                            |
| Operating profit to total assets       | <b>5.39</b>                                   | 1.91                            | 4.88                            | 6.07                            | 6.43                            |
| Operating profit to capital employed   | <b>8.52</b>                                   | 3.41                            | 8.69                            | 10.35                           | 10.30                           |
| Profit before tax to total equity      | <b>8.70</b>                                   | 3.64                            | 8.99                            | 10.67                           | 11.01                           |
| Profit after tax to total equity       | <b>7.41</b>                                   | 2.40                            | 5.68                            | 6.98                            | 7.21                            |
|  | <b>30/09/23</b>                               | 30/09/22                        | 30/09/21                        | 30/09/20                        | 30/09/19                        |
| Shares in issue of €0.25 each ('000s)  | -   | 37,655                          | 37,655                          | 37,655                          | 37,655                          |
| Shares in issue of €0.125 each ('000s) | <b>76,6758</b>                                | -                               | -                               | -                               | -                               |
| Net assets per share (€ cents)         | <b>38</b>                                     | 74                              | 76                              | 72                              | 72                              |
| Earnings per share (€ cents)           | <b>2</b>                                      | 2                               | 4                               | 5                               | 5                               |

## Financial highlights in major currencies

|   | Company |          |
|---|---------|----------|
|   | USD     | GBP      |
|   | 000's   | 000's    |
| <b>For the year ended 30 September 2023</b> |         |          |
| Revenue                                     | 37,097  | 44,906   |
| Operating profit                            | 2,395   | 2,899    |
| Profit before tax                           | 2,446   | 2,961    |
| Net profit after tax                        | 2,084   | 2,523    |
| <b>At 30 September 2023</b>                 |         |          |
| Total assets less current liabilities       | 31,565  | 38,210   |
| Total equity                                | 28,111  | 34,029   |
| <b>Per share</b>                            |         |          |
| Earnings                                    | 0.00027 | 0.000326 |
| Net asset value                             | 0.75    | 0.90     |

*At currency rates of exchange ruling on 30 September 2023:*

USD 0.95 = EUR 1

GBP 1.15 = EUR 1

## Supplementary information

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

#### HEAD OFFICE - MARSA

305, Qormi Road,  
Marsa, MTP 1001

#### ATTARD

1, John Paul II Square,  
Attard, ATD 2200

#### BIRKIRKARA

58, Valley Road,  
Birkirkara, BKR 9013

#### BIRŻEBBUĠA

48, Zarenu Dalli Street,  
Birżebbuġa, BBG 1522

#### BORMLA

Block 14, Fuq San Pawl,  
Bormla, BML 1910

#### FGURA

419, Zabbar Road,  
Fgura, FGR 1018

#### FLORIANA

15A, San Kalcidonju Square,  
Floriana, FRN 1533

#### GĦAJNSIELEM

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

#### GĦARB

Visitation Street,  
Għarb, GRB 1044

#### GŻIRA

21, Meme' Scicluna Square,  
Gżira, GZR 1120

#### ĦAMRUN

18, Old Railway Street,  
Ħamrun, ĦMR 1900

#### KALKARA

SmartCity Malta,  
Building SCM 01 Level G,  
Ricasoli, Kalkara, SCM 1001

#### LUQA

11, Dun Ġulju Muscat Street,  
Luqa, LQA 1450

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

#### MARSASKALA

St Anthony Street,  
Marsaskala, MSK 9058

#### MELLIEĦA

100, New Mill Street,  
Mellieħa, MLĦ 1107

#### 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'

Gwardamanga Hill,  
Pieta', PTA 1310

#### QORMI

343, Victory Street,  
Qormi, QRM 2504

#### RABAT

Civic Centre, St. Rita Street,  
Rabat, RBT 1526

#### SAN ĠILJAN

Paceville Street,  
Paceville,  
San Ġiljan, STJ 3103

#### SAN ĠWANN

95, Naxxar Road,  
San Ġwann, SGN 9031

#### SAN PAWL IL-BAĦAR

6, Dolmen Street,  
Buġibba, San Pawl il-Baħar, SPB 2400

511, St Paul Street,  
San Pawl il-Baħar, SPB 3416

#### SLIEMA

42, Rudolph Street,  
Sliema, SLM 1275

39, Sir Adrian Dingli Street,  
Sliema, SLM 1902

#### SWIEQI

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

#### VALLETTA

1, Dar Annona, Castille Square,  
Valletta, VLT 1060

75, Old Bakery Street,  
Valletta, VLT 1456

Malta Postal Museum,  
135, Archbishop Street,  
Valletta, VLT 1444

25, South Street,  
Valletta, VLT 1102

#### VICTORIA

5, Sir Adrian Dingli Street,  
Victoria, VCT 1441

#### XAGĦRA

132, Race Course Street,  
Xagħra, XRA 2013

#### ŻABBAR

Civic Centre, Convent Street,  
Żabbar, ZBR 1351

#### ŻEBBUĠ

37, Sciortino Street,  
Żebbuġ, ZBG 1962

#### ŻEJTUN

19, Gregorio Bonici Square  
Żejtun, ZTN 1051

#### ŻURRIEQ

75, Main Street,  
Żurrieq, ZRQ 1317

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

**BAĦAR IĊ-ĊAGĦAQ**

Allstat Stationery,  
Lampara Street,  
Baħar iċ-Ċagħaq, NXR 5134

**BALZAN**

Steve Stationery  
Dun Spir Sammut Steet  
Balzan, BZN 1020

**BIRKIRKARA**

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

**GHARGĦUR**

Aquavel,  
St Bartholomew Street,  
Għargħur, GHR 1014

**GĦASRI**

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

**MARCHAMS**

4, Wesgha Bir Id Deheb  
Għaxaq GXQ1651

**KALKARA**

1, Troy DVD Rentals,  
Triq il Kappucini,  
Kalkara, KKR 1510

**KERĊEM**

Kercem Local Council,  
Orvieto Square  
Kercem, KCM 1360

**MARSASKALA**

Needz Stationery,  
Vajrita Street,  
Marsakala, MSK 3325

**MARSAXLOKK**

Old Trafford Stationery,  
47, Arznell Street,  
Marsaxlokk, MXK 1401

**MELLIEĦA**

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

**MGARR**

Universal Stationery,  
22, Ras il-Gebel Street,  
Zebbiegh, l-iMgarr, MGR 2021

**MQABBA**

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

**NAXXAR**

Zaky's,  
St Publius Street,  
San Pawl tat-Tarġa, NXR 1490

**QRENDI**

Papel Stationery,  
Qrendi, QRD 1701

**SAN ĠILJAN**

Papier, Level 0, Spinola Park,  
Mikielang Borg Street  
San Giljan SPK1000

**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 LUCIJA**

Willand Bargain Store,  
Dun M. Mifsud Street,  
Santa Luċija, SLC 1441

**SANTA VENERA**

C@C,  
Fleur-De-Lys Junction,  
Santa Venera, SVR 1580

**SIĠĠIEWI**

Many Things Stationery,  
Old Church Street,  
Siġġiewi, SGW 1704

**SLEIMA**

Papier, Piazzetta,  
Tower Road,  
Sliema, SLM 1605

**SAN PAWL IL BAĦAR**

Exclusive Stationery  
27 Dawret il Gzejjer  
San Pawl il Baħar SPB2502

**TARXIEN**

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

**ŻURRIEQ**

Pinpoint Stationery,  
57, Independence Avenue,  
Żurrieq, ZRQ 2339

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      17:15 hrs
- Saturday              12:30 hrs

*(except public holidays)*

Delivery of postal articles generally commences as from 07:00 hrs and ends in accordance with operational exigencies.

Further information on products and services, including prices and a full list of letterboxes and stamp vendors, may be found on the Company's website on [www.maltapost.com](http://www.maltapost.com) or by request from the Post Offices or from the Customer Care Department on (+356) 21224421.

The postal schemes which deal with a number of postal services may also be located and downloaded from the website or available upon request from the Post Offices or Customer Care. During the year under review, Customer complaints accounted for 0.006% of all mail items handled.



## *Independent auditor's report*

To the Shareholders of MaltaPost p.l.c.

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- The Group financial statements and the Parent Company financial statements (the “financial statements”) of MaltaPost p.l.c. give a true and fair view of the Group and the Parent Company’s financial position as at 30 September 2023, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

#### **What we have audited**

MaltaPost p.l.c.’s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 30 September 2023;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 October 2022 to 30 September 2023, are disclosed in note 21 to the financial statements

## Our audit approach

### Overview



- Overall group materiality: €116,000, which represents 5% of profit before tax
- The Parent Company and its three subsidiaries are based in Malta, and the financial statements of these entities have been audited by our audit team.
- Our audit scope addresses 100% of Group revenues and Group profit before tax.
- Risk of fraud in revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

|  |  |
|--|--|
| <b>Overall group materiality</b>                       | €116,000   |
| <b>How we determined it</b>                            | 5% of profit before tax  |
| <b>Rationale for the materiality benchmark applied</b> | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €11,600 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter  | How our audit addressed the Key audit matter   |
|---|--|
| <b>Risk of fraud in revenue recognition</b><br>ISA 240 presumes that there is a risk of material misstatement due to fraud related to revenue recognition | We confirmed our understanding and evaluation of the Parent Company's control processes and procedures in respect of revenue |

and requires the auditor to treat this assessed risk of material misstatement due to fraud as a significant risk, thus requiring special audit consideration.

This comprises the risk that sales revenue is misstated due to fraud as individuals may have incentive to manipulate revenue, and hence results. The risk of fraud in revenue recognition includes the risk that sales revenue is not recognised in accordance with IFRS 15 requirements, and that revenue is not completely or accurately reflected, or that fictitious sales revenue is recorded or that the cut-off point at which risks and rewards are transferred is not correctly reflected in the financial statements.

The Parent Company's revenue consists of revenue from retail sales, comprising sale of stamps, philatelic sales, sale of non-postal stationery and provision of non-postal services, and sales from terminal dues, consisting of remuneration for processing and delivering postal items received from other territories.

Terminal dues are invoiced on a quarterly basis in arrears on the basis of volume data accumulated throughout the respective quarter. Accordingly, the risk of fraud in revenue recognition in respect of terminal dues is principally attributable to the unbilled revenue at year end in respect of the last quarter of the financial year.

Revenue from retail sales is attributable to a large volume of low value transactions handled through an operational retail system in an automated manner, whereby inventory items are updated with sales taking into account standing data in respect of unit prices. In this respect, the risk of fraud in revenue recognition is mainly in respect of the output of the operational retail system not being properly reflected within the accounting system.

*Refer to accounting policy 1.18 and Note 20 of the financial statements*

and including IT and system controls.

Specifically, in respect of revenue from retail sales, we evaluated the relevant systems and the design of controls, and tested the operating effectiveness of automated and non-automated controls over the:

- capture and recording of revenue transactions comprising products or services supplied to customers;
- authorisation of price changes and updating this information within the operational retail system; and
- calculation of amounts invoiced to customers.

Accordingly, we validated key controls including automated control procedures in respect of the operational retail system. We tailored our final audit plan based on the results of our assessment of the control environment and operating effectiveness of such controls. We utilised computer assisted audit techniques to recalculate aggregate revenue recognised by extracting independently volume data from the operational retail system and taking into account independently sourced or verified sales prices to address accuracy and existence. We also tested reconciliations between the operational retail and accounting systems to address completeness and cut-off. We have also carried out audit procedures, comprising validation of controls and tests of detail, in respect of cash counts and stock counts covering the retail sales business.

In respect of terminal dues, we have carried out tests of detail by recalculating revenue recognised during the year on the basis of volume data accumulated over time. We have validated volume data to third party documentation or documentation duly approved by third parties. We have also validated volume data by carrying out tests such as sequence checks and other data validation tests. We have validated terminal dues rates to contractual arrangements or other supporting documentation.

We have also tested revenue recognised in respect of terminal dues within the accounting system to amounts invoiced and the subsequent receipt of payment.

In respect of this key audit matter, we found no significant exceptions in our controls testing and no material misstatements were identified in our substantive testing.

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## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a group finance function at its head office. Within the head office, supporting finance functions exist for each of the key business operating areas, and these report to the Group finance team as appropriate. The audit work for the Parent Company and its three subsidiaries was conducted by the same audit team in Malta. The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

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## Other information

The directors are responsible for the other information. The other information comprises all of the other information in the Annual Financial Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## *Report on other legal and regulatory requirements*

*Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6*

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of MaltaPost p.l.c. for the year ended 30 September 2023, entirely prepared in a single electronic reporting format.

### **Responsibilities of the directors**

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

### **Our responsibilities**

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the Annual Financial Report for the year ended 30 September 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

### Other reporting requirements

The *Annual Financial Report and Consolidated Financial Statements 2023* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

| Area of the Annual Financial Report and Consolidated Financial Statements 2023 and the related Directors' responsibilities   | Our responsibilities   | Our reporting  |
|--|--|--|
| <b>Directors' report</b><br>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.  | <p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p> <p>With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.</p>               | <p>In our opinion:</p> <ul style="list-style-type: none"><li>the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li><li>the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).</li></ul> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p> |
| <b>Statement of Compliance with the Principles of Good Corporate Governance</b><br>The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles. | <p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97.</p> <p>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.</p> | <p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>   |
| <b>Remuneration report</b><br>The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.  | <p>We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.</p>  | <p>In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.</p>   |
|  | <b>Other matters on which we are required to report by exception</b><br>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:  | <p>We have nothing to report to you in respect of these responsibilities.</p>  |

- adequate accounting records have not been kept, or 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 which, to the best of our knowledge and belief, we require for our audit.

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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### *Other matter – use of this report*

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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### *Appointment*

We were first appointed as auditors of the Company on 1 May 1998. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 25 years. The Parent Company became listed on a regulated market on 24 January 2008.

Simon Flynn  
Principal

*For and on behalf of*  
**PricewaterhouseCoopers**  
78, Mill Street  
Zone 5, Central Business District  
Qormi  
Malta

19 December 2023

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