MALTAPOST PLC

Annual Report and Financial Statements
30 September 2000

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2000.

Principal activities

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

Review of the business

During the year turnover increased by 12% when compared to the same period in 1999, while overall company costs increased by just over 1%. Due to this and the fact that the company recovered the amount of Lm257,964 due from the Libyan postal authorities that had not previously been recognised as income, the company registered a profit of Lm333,773 and total shareholders' funds now amount to Lm713,846 as compared to Lm380,073 at the end of last year.

The collective agreement that was signed in 1998 between the Government of Malta and the Unions awarded an average increase of 12% to Government employees. This income now has to be reflected in Maltapost plc's salary structure. Due to this fact, the Directors believe that a review of the postal tariff should take place during the fiscal year 2002.

Results and dividends

The profit and loss account is set out on page 5. The directors do not recommend the payment of a dividend.

Directors

The directors of the company who held office during the year were:

Frank Dimech (Chairman)
Mario Mizzi (Deputy Chairman) – appointed on 1 November 2000
Joseph P. Farrugia
Paula Ganado
George Gatt
Anthony De Bono (Deputy Chairman) – resigned on 24 July 2000
Ivan Falzon – appointed on 24 July 2000, resigned on 1 November 2000
Maurice Zarb Adami – resigned on 21 March 2001

In accordance with company's Articles of Association the directors retire and being eligible offer themselves for re-election.

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.

On behalf of the board

Frank Dimech Chairman	Mario Mizzi Deputy Chairman

Registered office
305 Qormi Road
Marsa
Malta

30 March 2001

Statement of directors' responsibilities

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

In preparing the financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Accounting Standards;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the auditors

To the Members of Maltapost plc

We have audited the financial statements on pages 5 to 18. As described in the statement of directors' responsibilities on page 3, these financial statements are the responsibility of the company's directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2000 and of its profit, its changes in equity and its cash flows for the year then ended in accordance with International Accounting Standards and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS
167 Merchants Street
Valletta
Malta

30 March 2001

Profit and loss account

	Notes	2000 Lm	Period from 1 May 1998 to 30 September 1999 Lm
Turnover	1	**6,573,236**	8,010,665
Cost of sales		**(5,169,850)**	(6,798,450)
Gross profit		**1,403,386**	1,212,215
Administrative expenses		**(944,739)**	(1,389,263)
Operating profit/(loss)	2	**458,647**	(177,048)
Interest receivable		**72,457**	75,011
Profit/(loss) on ordinary activities before tax		**531,104**	(102,037)
Taxation	4	**(197,331)**	(17,890)
Profit/(loss) for the financial year/period		**333,773**	(119,927)
Earnings per share	6	**0.66**	(0.24)

There are no recognised gains or losses other than the profit/(loss) for the year/period.

Balance sheet

	Notes	**2000**	1999
		Lm	Lm
ASSETS			
Fixed assets			
Tangible assets	7	**510,788**	506,163
Intangible assets	8	**417,368**	450,536
		928,156	956,699
Current assets			
Stocks	9	**132,813**	93,921
Debtors	10	**1,025,346**	608,706
Cash at bank and in hand		**2,021,020**	1,826,135
		3,179,179	2,528,762
Total assets		**4,107,335**	3,485,461
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	11	**500,000**	500,000
Profit and loss account		**213,846**	(119,927)
Total shareholders' funds		**713,846**	380,073
Provision for liabilities and charges	12	**24,688**	-
Creditors: amounts falling due within one year			
Trade and other creditors	13	**3,221,066**	3,089,778
Current taxation		**147,735**	15,610
Total creditors		**3,368,801**	3,105,388
Total equity and liabilities		**4,107,335**	3,485,461

The financial statements on pages 5 to 18 were authorised for issue by the board on 30 March 2001 and were signed on its behalf by:

Frank Dimech
Chairman

Mario Mizzi
Deputy Chairman

Statement of changes in equity

	Share capital Lm	Profit and loss account Lm	Total Lm
Issue of share capital	500,000	-	500,000
Loss for the financial period	-	(119,927)	(119,927)
Balance at 30 September 1999	**500,000**	**(119,927)**	**380,073**
As at 1 October 1999	500,000	(119,927)	380,073
Profit for the financial year	-	333,773	333,773
Balance at 30 September 2000	**500,000**	**213,846**	**713,846**

Cash flow statement

	Notes	2000 Lm	Period from 1 May 1998 to 30 September 1999 Lm
Operating activities			
Cash generated from operations	14	**283,087**	1,268,326
Interest received		**72,457**	75,011
Tax paid		**(40,518)**	(2,280)
Net cash from operating activities		**315,026**	1,341,057
Investing activities			
Purchase of tangible assets		**(167,436)**	(99,756)
Disposal of tangible assets		**47,295**	-
Reimbursement to Government of refurbishing costs		**-**	(300,000)
Assets taken over from the Office of the Postmaster General		**-**	(1,000,000)
Net cash used in investing activities		**(120,141)**	(1,399,756)
Financing activities			
Issue of ordinary shares		**-**	500,000
Amount due to Government in respect of assets taken over		**-**	1,300,000
Net cash from financing activities		**-**	1,800,000
Movement in cash and cash equivalents		**194,885**	1,741,301
Cash and cash equivalents at beginning of year/taken over from Government		**1,826,135**	84,834
Cash and cash equivalents at end of year/period	15	**2,021,020**	1,826,135

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis of preparation

These financial statements are prepared in accordance with International Accounting Standards and comply with the Companies Act, 1995. The financial statements are prepared under the historical cost convention.

2. Revenue recognition

Turnover is the value of all services provided, excluding indirect taxes and comprises revenue directly received from customers, commissions earned on postal and non-postal transactions and terminal dues receivable from overseas postal administrations. Turnover is recognised in the financial statements as follows: -

(a) Income from the sale of stamps is fully credited to the profit and loss account in the year of sale;

(b) Income from commissions earned on postal and non-postal transactions and terminal dues receivable from overseas postal administrations is recognised when the service is rendered. In the case of services rendered to postal administrations in countries subject to severe exchange control restrictions and undue delays in settlement, revenue is not recognised until the company is in a position to ensure that the economic benefits associated with the transaction will flow to it, which is often upon or shortly before actual receipt;

(c) Interest income is accounted for as it accrues, unless collectibility is in doubt.

3. Foreign currencies

Transactions in foreign currencies have been converted into Maltese Liri at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Maltese Liri at the rates of exchange ruling at the balance sheet date. All resulting differences are taken to the profit and loss account.

4. Goodwill

Goodwill is stated at cost and is amortised using the straight-line method over the period of the company's operating licence of fifteen years.

5. Tangible fixed assets

Tangible fixed assets, comprising improvements to buildings, fixtures and fittings, equipment and motor vehicles, are initially recorded at cost. Depreciation is calculated on the straight-line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

Improvements to premises	Over the period of the licence agreement
	%
Furniture and fittings	15
Equipment	20-25
Motor vehicles	25

6. Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of stamps and postal stationery is determined by the average cost method, stocks for resale at actual cost, and other stock items on a first-in first-out method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

7. Trade debtors

Trade debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

8. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

9. Deferred taxation

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

10. Provisions

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

11. Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

Notes to the financial statements

1. Turnover

All turnover arises in Malta and is analysed, by activity, as follows: -

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Stamps, parcel post and postal stationery including terminal dues receivable	**5,763,938**	7,325,170
Philatelic sales	**167,933**	180,551
Courier services	**99,694**	151,396
Other	**541,671**	353,548
	6,573,236	8,010,665

In 1999 services rendered by the company for which income was not recognised in terms of accounting policy 2(b) amounted to Lm257,964. This income is reflected in the company's results in 2000.

2. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Staff costs (Note 3)	**4,432,297**	5,958,072
Provision for doubtful debts	**(24,648)**	62,330
Depreciation of tangible assets (Note 7)	**87,108**	107,676
Amortisation of goodwill (Note 8)	**33,168**	46,988
Auditors' remuneration	**6,325**	6,325
Realised exchange loss/(gain)	**12,717**	(909)
Unrealised exchange gain	**(41,176)**	-

3. Staff costs

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Wages and salaries	**4,086,790**	5,477,170
Social security costs	**345,507**	480,902
	4,432,297	5,958,072

Average number of persons employed by the company during the year/period:

	2000	Period from 1 May 1998 to 30 September 1999
Direct	**799**	818
Administration	**68**	54
	867	872

4. Tax on profit on ordinary activities

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Current tax expense	**172,643**	17,890
Deferred tax	**24,688**	-
	197,331	17,890

4. Tax on profit on ordinary activities - continued

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

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Profit/(loss) on ordinary activities before tax	**531,104**	(102,037)
Tax at 35%	**185,886**	(35,713)
Tax effect of:		
Permanent differences between accounting result and chargeable income	**19,350**	26,711
Investment income taxed at 15%	**(7,905)**	(3,040)
Deferred tax asset not recognised	**-**	29,932
Tax charge	**197,331**	17,890

5. Directors' emoluments

	2000	Period from 1 May 1998 to 30 September 1999
	Lm	Lm
Fees	**11,338**	9,583
Salaries and other emoluments	**10,779**	20,621
	22,117	30,204

The company has paid insurance premiums of Lm1,320 (1999: Lm1,320) during the year/period, in respect of professional indemnity in favour of its directors.

6. Earnings per share

Earnings per share is based on the results for the year/period divided by the weighted average number of ordinary shares in issue during the year/period.

6. Earnings per share - continued

	2000	Period from 1 May 1998 to 30 September 1999
Net profit/(loss) attributed to shareholders	**Lm333,773**	(Lm119,927)
Weighted average number of ordinary shares in issue	**500,000**	500,000
Earnings per share	**Lm0.66**	(Lm0.24)

7. Tangible assets

	Improvements to premises	Furniture and fittings	Equipment	Motor vehicles	Total
	Lm	Lm	Lm	Lm	Lm
Year ended 30 September 2000					
Opening net book value	300,303	53,082	35,052	117,726	506,163
Additions	39,644	88,373	39,419	-	167,436
Disposals	-	-	(3,841)	(148,092)	(151,933)
Depreciation charge	(22,120)	(14,648)	(13,330)	(37,010)	(87,108)
Depreciation released on disposal	-	-	2,398	73,832	76,230
Closing net book amount	**317,827**	**126,807**	**59,698**	**6,456**	**510,788**
At 30 September 2000					
Cost or valuation	369,278	157,954	88,285	13,825	629,342
Accumulated depreciation	(51,451)	(31,147)	(28,587)	(7,369)	(118,554)
Net book amount	317,827	126,807	59,698	6,456	510,788
At 30 September 1999					
Cost or valuation	329,634	69,581	52,707	161,917	613,839
Accumulated depreciation	(29,331)	(16,499)	(17,655)	(44,191)	(107,676)
Net book amount	300,303	53,082	35,052	117,726	506,163

8. Intangible assets

Goodwill	**2000 Lm**	1999 Lm
Cost as at 30 September	**497,524**	497,524
Amortisation		
At 1 October	**46,988**	-
Amortisation charge for the year	**33,168**	46,988
At 30 September	**80,156**	46,988
Net book amount at 30 September	**417,368**	450,536

9. Stocks

	2000 Lm	1999 Lm
Stamps and postal stationery	**35,047**	38,843
Stocks for resale	**57,526**	21,117
Other stock items	**40,240**	33,961
	132,813	93,921

10. Debtors

	2000 Lm	1999 Lm
Trade debtors	**639,447**	217,081
Other debtors	**47,954**	7,396
Prepayments and accrued income	**337,945**	384,229
	1,025,346	608,706

11. Called up issued share capital

	2000 Lm	1999 Lm
Authorised		
500,000 ordinary shares of Lm1each	**500,000**	500,000
Issued and fully paid		
500,000 ordinary shares of Lm1 each	**500,000**	500,000

12. Deferred taxation

	2000 Lm	1999 Lm
At beginning of year	**-**	-
Charged to profit and loss account (Note 4)	**24,688**	-
At end of year	**24,688**	-

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

13. Trade and other creditors

	2000 Lm	1999 Lm
Amounts falling due within one year		
Trade creditors	**366,175**	581,414
Amounts due to Government in respect of assets taken over	**1,300,000**	1,300,000
Amounts collected on behalf of third parties	**578,288**	323,212
Other creditors	**259,640**	289,389
Indirect taxes and social security	**84,314**	153,890
Accruals and deferred income	**632,649**	441,873
	3,221,066	3,089,778

14. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from operations:

	2000 Lm	Period from 1 May 1998 to 30 September 1999 Lm
Operating profit/(loss)	**458,647**	(177,048)
Adjustments for:		
Depreciation of tangible assets (Note 7)	**87,108**	107,676
Amortisation of goodwill (Note 8)	**33,168**	46,988
Provision for doubtful debts (Note 10)	**(24,648)**	62,330
Gain on disposal	**28,408**	-
Changes in working capital:		
Debtors	**(391,992)**	(671,036)
Stocks	**(38,892)**	109,638
Creditors	**131,288**	1,789,778
Cash generated from operations	**283,087**	1,268,326

15. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2000	1999
	Lm	Lm
Cash at bank and in hand	**2,021,020**	1,826,135

16. Financial instruments

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk consist principally of cash at bank and debtors. The company's cash is placed with quality financial institutions. Debtors are presented net of an allowance for doubtful debts. Credit risk with respect to debts is limited due to the large number of customers comprising the company's debtor base and the company has no significant concentration of credit risk.

Fair values

At 30 September 2000 and 1999 the carrying amounts of cash at bank, debtors, creditors and accrued expenses approximated their fair values.

17. Statutory information

Maltapost plc is a limited liability company and is incorporated in Malta.