MALTAPOST plc

Annual Report and Financial Statements
30 September 2005

Company Registration Number: C22796

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activities

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

Review of business

The company's turnover increased by 2.5% (2004: decrease of 4%) when compared to the same period in 2004, while the company's costs increased by 4.4% (2004: decrease of 2.7%).

The company registered an increase in income from all postal and non-postal revenue streams with the exception of stamp sales which registered a drop of 4.6%. This is a result of constant drops in volume of mail.

Whilst operating costs increased by 9.2%, administrative costs decreased by 13.1%. The increase in operating costs resulted mainly from an increase in depreciation charges following the refurbishment of head office and several outlets, an increase in production costs following the local printing of stamps, the write-down of certain unsaleable stock and the increase in commission payable which increased in proportion with the increase in philatelic sales. The increase in these costs was partly countered by the credit to the profit and loss account following an overaccrual for the licence fee in previous years, after the new regulations were issued and applied retrospectively in 2005. The decrease in administrative costs was mainly due the Technical Services and Support Agreement Extension with Transend Worldwide Limited which was terminated on 30 September 2004.

Due to the above factors and in view of the fact that the company registered a loss of Lm27,386 for the year, the Directors believe that a review of postal tariffs should take place during the financial year 2006 and will be making the appropriate submissions with the regulatory authorities. Meanwhile operational efficiency reviews continue to be undertaken by the company in an effort to control its costs.

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' report - continued

Directors

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

David Stellini (Chairman) – appointed on 1 December 2004
Elmar Toime – appointed on 10 October 2005
Ian Pellicano
Philip Tabone
Stephen Henry – appointed on 10 October 2005
Paul Dalton – resigned on 8 August 2005
Bruce Heesterman – resigned on 31 August 2005

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

David Stellini
Chairman

Elmar Toime
Director

Registered office
305 Qormi Road
Marsa
Malta

26 January 2006

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 Financial Reporting 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 21. 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 2005 and of its loss, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

26 January 2006

Profit and loss account

	Notes	**2005**	2004
		Lm	Lm
Turnover	1	**7,248,384**	7,073,732
Cost of sales		**(5,991,419)**	(5,486,456)
Gross profit		**1,256,965**	1,587,276
Administrative expenses		**(1,301,116)**	(1,496,797)
Pension obligation	2	**39,978**	7,857
Other income		**2,466**	2,213
Operating (loss)/profit	3	**(1,707)**	100,549
Interest receivable		**34,886**	34,234
Profit before tax		**33,179**	134,783
Tax on profit	5	**(60,565)**	(94,472)
(Loss)/profit for the financial year		**(27,386)**	40,311

Balance sheet

	Notes	**2005 Lm**	2004 Lm
ASSETS			
Fixed assets			
Tangible assets			
Property, plant and equipment	7	**1,355,315**	1,294,852
Intangible assets	8	**251,513**	284,681
Financial assets			
Held-to-maturity investments	9	**458,120**	458,120
		2,064,948	2,037,653
Current assets			
Stocks	10	**236,139**	343,656
Debtors	11	**1,704,519**	1,640,509
Taxation recoverable		**-**	77,910
Cash at bank and in hand		**2,172,042**	2,701,868
		4,112,700	4,763,943
Total assets		**6,177,648**	6,801,596
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	15	**2,800,000**	2,800,000
Other reserves	16	**245,000**	228,672
Profit and loss account		**6,114**	33,500
Total shareholders' funds		**3,051,114**	3,062,172
Provision for liabilities and charges			
Pension obligation	14	**592,249**	598,194
Deferred taxation	12	**22,083**	7,923
		614,332	606,117
Creditors: amounts falling due within one year			
Trade and other creditors	13	**2,458,259**	3,133,307
Current taxation		**53,943**	-
Total creditors		**2,512,202**	3,133,307
Total equity and liabilities		**6,177,648**	6,801,596

The financial statements on pages 5 to 21 were authorised for issue by the board on 26 January 2006 and were signed on its behalf by:

David Stellini
Chairman

Elmar Toime
Director

Statement of changes in equity

	Notes	**Called up issued share capital** Lm	**Other reserves** Lm	**Profit and loss account** Lm	**Total** Lm
Balance at 1 October 2003		2,672,541	205,170	(6,811)	2,870,900
Share capital called up	15	127,459	-	-	127,459
Cash flow hedge - net of tax	16	-	23,502	-	23,502
Profit for the financial year		-	-	40,311	40,311
Balance at 30 September 2004		**2,800,000**	**228,672**	**33,500**	**3,062,172**
Balance at 1 October 2004		2,800,000	228,672	33,500	3,062,172
Cash flow hedge - net of tax	16	-	16,328	-	16,328
Loss for the financial year		-	-	(27,386)	(27,386)
Balance at 30 September 2005		**2,800,000**	**245,000**	**6,114**	**3,051,114**

Cash flow statement

	Notes	**2005 Lm**	2004 Lm
Operating activities			
Cash (used in)/generated from operations	17	**(257,834)**	538,733
Interest received		**55,919**	57,308
Tax received/(paid)		**76,677**	(1,833)
Net cash (used in)/generated from operating activities		**(125,238)**	594,208
Investing activities			
Purchase of held-to-maturity investments	9	**-**	(254,000)
Purchase of property, plant and equipment	7	**(404,871)**	(363,572)
Disposal of property, plant and equipment	7	**283**	-
Net cash used in investing activities		**(404,588)**	(617,572)
Financing activities			
Share capital called up	15	**-**	127,459
Net cash from financing activities		**-**	127,459
Movement in cash and cash equivalents		**(529,826)**	104,095
Cash and cash equivalents at beginning of year		**2,701,868**	2,597,773
Cash and cash equivalents at end of year	18	**2,172,042**	2,701,868

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 Financial Reporting Standards and comply with the Companies Act, 1995. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles required the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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 sale of stamps, commissions earned on postal and non-postal transactions and terminal dues receivable from overseas postal administrations is recognised when the service is rendered. Allowance is made for the assessed amount of revenue from prepaid product sales at balance sheet date for which the service has not yet been provided. 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.

(b) 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.

The company earmarks, from time to time, foreign currency balances as a cash flow hedge against exposure to foreign exchange risk on forecast transactions or commitments in the same currency. The hedging reserve is transferred to the profit and loss account when the forecast expenditure occurs, at various dates up to one year from the balance sheet date.

4. Intangible assets

Intangible assets are shown at historical cost. Intangible assets have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful life.

5. Held-to-maturity investments

The company classifies its investments as held-to-maturity. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in fixed assets. Held-to-maturity investments are carried at amortised cost using the effective yield method.

All purchases and sales of investments are recognised at trade date which is the date that the company commits to purchase or sell the asset.

6. Property, plant and equipment

Property, plant and equipment comprising improvements to buildings, furniture 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 lease agreements
Buildings	Over the period of the lease agreements

	%
Furniture and fittings	15
Equipment	20 - 25
Motor vehicles	25

Assets in the course of construction are not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

7. Leased assets

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

8. Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of postal stationery is determined by the standard 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.

9. Trade debtors

Trade debtors are carried at anticipated realisable value. An estimate is made for provision for impairment of 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.

10. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

11. Pension obligations

The company operates a defined benefit pension plan.

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

12. Deferred taxation

Deferred income tax is provided in full, using the liability method, on 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 it is probable that future taxable profit against which the temporary differences can be utilised will be available.

13. Provisions

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

14. 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:

	2005 Lm	2004 Lm
Stamps, parcel post and postal stationery including terminal dues receivable	**5,686,396**	5,818,373
Philatelic sales	**695,452**	537,587
Courier services	**131,034**	104,815
Other	**735,502**	612,957
	7,248,384	7,073,732

2. Pension obligation

The pension obligation has arisen due to the option taken up by ex-Government employees to become full time employees of the company. Upon exercising this option, certain of these employees continued to be entitled to pension rights which go beyond the National Insurance Scheme. The difference between the cost of pensions payable at the time of an employee's expected retirement from Maltapost plc and that cost of the pension computed at the time of that employee's termination of service with the Government, will be borne by Maltapost plc (Note 14), as long as the said employees are employed with Maltapost plc up to their retirement date.

3. Operating profit

Operating profit is stated after (crediting)/charging:

	2005 Lm	2004 Lm
Staff costs (Note 4)	**4,288,668**	4,092,281
Depreciation of property, plant and equipment (Note 7)	**328,948**	231,743
Loss on disposal of property, plant and equipment (Note 7)	**15,177**	-
Amortisation of intangible asset (Note 8)	**33,168**	33,168
Decrease in provision for impairment of debtors (Note 11)	**(14,044)**	(36,401)
Pension obligation (Note 14)	**(39,978)**	(7,857)
Auditors' remuneration	**6,500**	6,325
Exchange loss	**31,716**	55,530

4. Staff costs

	2005	2004
	Lm	Lm
Wages and salaries	**3,963,889**	3,763,488
Social security costs	**324,779**	328,793
	4,288,668	4,092,281

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

	2005	2004
Direct	**562**	597
Administration	**78**	75
	640	672

5. Tax on profit on ordinary activities

	2005	2004
	Lm	Lm
Current tax charge	**56,364**	12,426
Deferred tax charge (Note 12)	**4,128**	66,797
(Over)/under provision of current tax in previous years (Note 12)	**(1,188)**	13,365
Under provision of deferred tax in previous years	**1,261**	1,884
Tax charge	**60,565**	94,472

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

	2005	2004
	Lm	Lm
Profit before tax	**33,179**	134,783
Tax at 35%	**11,613**	47,174
Tax effect of:		
Non-temporary differences	**54,158**	36,501
Investment income taxed at different rates of tax	**(5,279)**	(4,452)
Under provision in previous years	**73**	15,249
Tax charge	**60,565**	94,472

6. Directors' emoluments

	2005	2004
	Lm	Lm
Fees	**8,000**	8,929

The company has paid insurance premia of Lm1,980 (2004: Lm1,980) during the year, in respect of professional indemnity in favour of its directors.

7. Property, plant and equipment

	Improvements to premises Lm	Furniture and fittings Lm	Equipment Lm	Total Lm
Year ended 30 September 2005				
Opening net book amount	579,811	210,157	504,884	1,294,852
Additions	183,381	132,426	89,064	404,871
Disposals	(20,672)	-	(388)	(21,060)
Depreciation charge	(85,488)	(58,005)	(185,455)	(328,948)
Depreciation released	5,488	-	112	5,600
Closing net book amount	**662,520**	**284,578**	**408,217**	**1,355,315**
At 30 September 2005				
Cost	947,081	484,395	919,343	2,350,819
Accumulated depreciation	(284,561)	(199,817)	(511,126)	(995,504)
Net book amount	662,520	284,578	408,217	1,355,315
At 30 September 2004				
Cost	784,372	351,969	830,667	1,967,008
Accumulated depreciation	(204,561)	(141,812)	(325,783)	(672,156)
Net book amount	579,811	210,157	504,884	1,294,852

8. Intangible asset

	Postal licence Lm
Year ended 30 September 2005	
Opening net book amount	284,681
Amortisation charge	(33,168)
Closing net book amount	**251,513**
At 30 September 2005	
Cost	497,524
Accumulated amortisation	(246,011)
Net book amount	251,513
At 30 September 2004	
Cost	497,524
Accumulated amortisation	(212,843)
Net book amount	284,681

Upon the revision of IFRS 3 and IAS 38, the company revisited its consideration of the residual amount that was paid in excess of the assets and liabilities taken over in 1998 from the Department of Posts used for or in connection with postal services in Malta. This amount was previously classified as goodwill. It was resolved that such amount was paid for the right to operate the postal services in Malta. This right has a useful life of 15 years and is now being classified as an intangible asset and amortised over this definite period. Previously goodwill was also being amortised over a fifteen year period. The carrying value of the intangible asset at 1 October 2004 therefore remains unchanged.

9. Held-to-maturity investments

	2005 Lm	2004 Lm
At beginning of year	**458,120**	204,120
Additions	**-**	254,000
At end of year	**458,120**	458,120

Held-to-maturity investments consist of fixed-interest securities listed on the Malta Stock Exchange. The market value of these investments as at 30 September 2005 was Lm480,909 (2004: Lm468,124), while the weighted average effective interest rates as at this date was 5.67% (2004: 5.67%).

9. Held-to-maturity investments - continued

The maturity of these investments, which are included in fixed assets, is as follows:

	2005 Lm	2004 Lm
Between 2 and 5 years	**4,200**	4,200
After more than 5 years	**453,920**	453,920
	458,120	458,120

10. Stocks

	2005 Lm	2004 Lm
Stamps and postal stationery	**103,389**	217,724
Stocks for resale	**89,811**	77,693
Other stock items	**42,939**	48,239
	236,139	343,656

11. Debtors

	2005 Lm	2004 Lm
Trade debtors	**712,018**	730,812
Provision for impairment of debtors	**-**	(14,044)
	712,018	716,768
Other debtors	**646,371**	644,765
Prepayments and accrued income	**346,130**	278,976
	1,704,519	1,640,509

12. Deferred taxation

	2005 Lm	2004 Lm
At beginning of year	**7,923**	(73,434)
Charged to profit and loss account (Note 5)	**4,128**	66,797
Under provision of deferred tax in previous years (Note 5)	**1,261**	1,884
Credited to equity (Note 16)	**8,771**	12,676
At end of year	**22,083**	7,923

12. Deferred taxation - continued

The deferred tax credited to equity during the year relates to the hedging reserve included with other reserves (Note 16). Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%.

The balance at 30 September represents:

	2005 Lm	2004 Lm
Temporary differences on fixed assets	**22,083**	21,609
Temporary differences on provisions	**-**	(4,915)
Temporary differences on hedging reserve	**-**	(8,771)
At end of year	**22,083**	7,923

13. Trade and other creditors

	2005 Lm	2004 Lm
Amounts falling due within one year		
Trade creditors	**578,459**	484,790
Amounts owed to related parties	**14,754**	48,487
Amounts collected on behalf of third parties	**601,475**	1,297,764
Other creditors	**16,091**	16,380
Indirect taxes and social security	**118,550**	139,592
Unearned revenue	**60,082**	55,609
Accruals and deferred income	**1,068,848**	1,090,685
	2,458,259	3,133,307

14. Pension Obligation

	2005 Lm	2004 Lm
At year-end	**592,249**	598,194

The company established a pension scheme covering those ex-Government employees who opted to become full-time employees with the company and who were entitled to pension rights which go beyond the National Insurance Scheme. The pension schemes are final salary defined benefit plans and are unfunded.

14. Pension obligation - continued

The amount recognised in the balance sheet is as follows:

	2005	2004
	Lm	Lm
Present value of unfunded obligations	**839,026**	832,194
Fair value of obligations to be reimbursed by Government	**(246,777)**	(234,000)
Present value of unfunded obligations	**592,249**	598,194

The amount recognised in the income statement is as follows:

	2005	2004
	Lm	Lm
Current service adjustment	**10,097**	1,240
Interest	**5,055**	9,435
Net actuarial gains/(losses) recognised during the year	**24,826**	(2,818)
Total amount credited to income	**39,978**	7,857

Made up of:

	2005	2004
	Lm	Lm
Movement in present value of unfunded obligations	**5,945**	(22,189)
Interest received	**34,033**	30,046
Total amount credited to income	**39,978**	7,857

In computing the pension obligation, the company used a discount rate of 6.6% (2004: 6.6%), whereas the future salary increases were based on inflation rates and past salary increases.

15. Share capital

	2005 Lm	2004 Lm
Authorised		
5,000,000 ordinary shares of Lm1 each	**5,000,000**	5,000,000
Issued		
1,820,000 ordinary shares of Lm1 each, fully paid up	**1,820,000**	1,820,000
980,000 ordinary shares of Lm1 each, fully paid up	**980,000**	980,000
	2,800,000	2,800,000

16. Other reserves

	Share premium Lm	Hedging reserve Lm	Total Lm
At 30 September 2005			
At beginning of year	245,000	(16,328)	228,672
Cash flow hedge			
Transfer to profit and loss account	-	25,099	25,099
Deferred taxation thereon	-	(8,771)	(8,771)
At end of year	**245,000**	**-**	**245,000**
At 30 September 2004			
At beginning of year	245,000	(39,830)	205,170
Cash flow hedge			
Amounts arising during the year	-	(507)	(507)
Deferred taxation thereon	-	178	178
Transfer to profit and loss account	-	36,685	36,685
Deferred taxation thereon	-	(12,854)	(12,854)
At end of year	**245,000**	**(16,328)**	**228,672**

The hedging reserve arose when the company earmarked foreign currency bank balances for the purpose of settling transactions occurring in the same currency. The hedging reserve has been transferred to the profit and loss account since the forecast expenditure took place by the year-end.

17. Cash (used in)/generated from operations

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

	2005 Lm	2004 Lm
Operating (loss)/profit	**(1,707)**	100,549
Adjustments for:		
Depreciation on property, plant and equipment (Note 7)	**328,948**	231,743
Loss on disposal of property, plant and equipment	**15,177**	-
Amortisation of intangible assets (Note 8)	**33,168**	33,168
Decrease in provision for impairment of debtors (Note 11)	**(14,044)**	(36,401)
Provision for pension obligations (Note 14)	**(39,978)**	(7,857)
Cash flow hedge (Note 16)	**25,099**	36,178
Write-off of project costs	**-**	16,159
Changes in working capital:		
Debtors	**(49,966)**	259,956
Stocks	**107,517**	(202,357)
Creditors	**(662,048)**	107,595
Cash (used in)/generated from operations	**(257,834)**	538,733

18. Cash and cash equivalents

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

	2005 Lm	2004 Lm
Cash at bank and in hand	**2,172,042**	2,701,868

19. Commitments

Operating lease commitments

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

	2005 Lm	2004 Lm
Within 1 year	**44,698**	175,973
Between 2 and 5 years	**105,517**	142,805
After 5 years	**66,667**	66,667
	216,882	385,445

The company is also committed to pay a licence fee of ½% - ¾% of its total gross revenue from postal services within the scope of the universal services.

20. Related party transactions

Due to their shareholding in the company, the Government of Malta and Transend (Worldwide) Limited are considered to be related parties of Maltapost plc. Transactions with Transend (Worldwide) Limited comprised technical support and services charges amounting to Lm18,395 (2004: Lm289,041). The company carries out a number of transactions with the Government of Malta and Government-controlled companies in the normal course of its activities. Amounts due to related parties, other than those due to Government of Malta and Government-controlled companies, are disclosed accordingly in note 13 to the accounts.

21. 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 2005 and 2004 the carrying amounts of cash at bank, debtors, creditors and accrued expenses approximated their fair values.

Foreign exchange risk

The company is exposed to foreign exchange risk in view of the nature of its operations, particularly with respect to the payment and receipt of terminal dues. These transactions are mainly denominated in US Dollars and EURO; accordingly the directors do not deem currency risk to be significant in this respect.

The company earmarks, from time to time, foreign currency balances as a cash flow hedge against exposure to foreign exchange risk on forecast transactions or commitments in the same currency.

22. Statutory information

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