

MALTAPOST p.l.c.

Annual Report and Financial Statements  
30 September 2008

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## **Directors' report**

The directors present their report and the audited financial statements for the year ended 30 September 2008.

### **Principal activities**

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

### **Review of business**

The company's revenue increased by 10.5% (2007: 9.3%) over the previous year, while costs increased by 4.5% (2007: 1.6%).

Increase in revenue was mainly due to higher volumes of inbound mail and parcels as well as philatelic products connected to Malta's adoption of the euro on 1 January 2008. Continued growth in volumes was mainly generated through e-commerce and facilitated by improvements made in the delivery of bulky mail.

The ongoing restructuring of processes also resulted in lower costs. During the year the company experienced an unusual staff turnover level when around 22% of the workforce opted to revert to Government employment upon the company's privatisation in January 2008. The company is committed to proceed with its restructuring process, in its effort to be more aligned to current demands and trends.

Other expenses increased by 15.6%, mainly due to production costs and other costs directly related to revenue. The above factors resulted in the company registering a profit before income tax of €2.9 million. The directors are cautiously confident that the current level of business will be sustained in the foreseeable future.

### **Results and dividends**

The income statement is set out on page 13. The directors paid an interim dividend of €0.05 per share amounting to €1,397,624, and recommend the payment of a final dividend of €0.04 per share amounting to €1,120,000.

## Directors' report - continued

### Directors

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

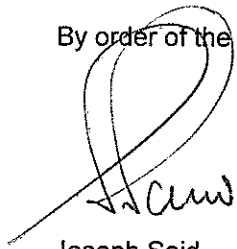
Joseph Said (Chairman)  
David Stellini  
Joseph Azzopardi  
Philip Tabone  
Aurelio Theuma (appointed 8 October 2007)  
Ian Pellicano (resigned 12 December 2007)

In accordance with the company's Articles of Association the directors retire from office at the Annual General Meeting and are eligible for re-election or re-appointment.

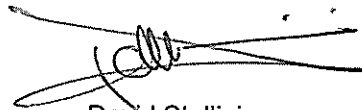
### Auditors

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

By order of the board



Joseph Said  
Chairman



David Stellini  
Director

Registered office  
305 Triq Hal-Qormi  
Marsa MTP 1001  
Malta

15 January 2009

## Corporate governance - Statement of compliance

Pursuant to Listing Rules 8.37 and 8.38 issued by the Listing Authority of the Malta Financial Services Authority, MaltaPost p.l.c. (the "company") hereby reports on the extent to which the company has adopted the "Code of Principles of Good Corporate Governance" (the "Code") appended to the said Listing Rules.

### Compliance

Even though the Principles of Good Corporate Governance are not mandatory, the board of directors of the company has ensured their adoption except where specific circumstances do not permit their adoption.

### Composition of the board

The board of directors of the company consists of five (5) directors who are all non-executive directors. Three (3) of the non-executive directors hold positions with the shareholder who appointed them. All the directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist them in providing leadership, integrity and judgement in directing the company. The Chairman of the board, whose role is separate from that of the Chief Executive Officer, is elected by the directors from amongst themselves at the first board meeting after the Annual General Meeting.

The directors who served on the board during the period under review were the following:

	First appointment date	Attendance out of 6 board meetings held
Joseph Azzopardi	18 August 2006	6
Joseph Said	18 August 2006	6
David Stellini	1 December 2004	6
Philip Tabone	30 July 2003	6
Aurelio Theuma	8 October 2007	6

### Roles and responsibilities of the board

The board acknowledges its statutory mandate to conduct the administration and management of the company. The board, in fulfilling this mandate and discharging its duty of stewardship of the company, assumes responsibility for the following:

- setting the overall direction, business objectives, goals and the strategy of the company with a view to maximise value;
- reviewing and approving the business plans and targets that are submitted by management and working with management in the implementation of these plans;
- identifying the principal business risks of the company and overseeing the implementation within a realisable timeframe and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the company are in place;
- participating in the appointment of the company's executive officers and assessing their performance including monitoring the establishment of appropriate systems for succession planning and for approving the compensation and motivation levels of such executive officers; and
- ensuring that the company has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

## **Corporate governance - Statement of compliance - continued**

### **Roles and responsibilities of the board - continued**

The implementation of the decisions taken by the directors and the day to day management of the company is entrusted to the Senior Management headed by the Chief Executive Officer of the company.

The board is ultimately responsible for the company's system of internal controls and for ensuring the effectiveness thereof. Although the relative systems are designed to manage all the risks in the most appropriate manner, they certainly cannot completely eliminate the possibility of material error or fraud. The board assumes responsibility for executing the four basic roles of corporate governance, i.e. accountability, monitoring, strategy formulation and policy development.

In deciding how best to discharge its responsibilities, the board upholds a policy of clear demarcation between its role and responsibilities and those of management. It has defined the level of authority that it retains over strategy formulation and policy determination, and delegated authority and vested accountability for the company's day to day business in the Executive Committee and in a Management team comprising of the:

- (i) Chief Executive Officer;
- (ii) Chief Officers and other Managers

This method of governance enables the directors to exercise a more independent policy making and monitoring function to enable management to run the company with efficiency and effectiveness.

During the 2008 financial year, the board held six meetings. At these board meetings management provides the directors with a report that includes the company's management accounts including key performance indicators since the date of the previous board meeting; a commentary on results and on relevant events and decisions, and sets out background information on any matter requiring the approval of the board.

Apart from setting the strategy and direction of the company, the board was actively involved in monitoring progress against budgets and plans, and in approving material or significant transactions.

The board has direct access to the external auditor of the company, who attends board meetings at which the company's financial statements are approved after they have been reviewed by the Audit Committee. Compliance with statutory and regulatory requirements and with continuing listing obligations is also ensured. In addition the board is advised directly, as appropriate, by its appointed stockbrokers and legal advisors.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the company's expense.

Given that the board's and directors' performance is under the ongoing scrutiny of the shareholders, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of the board, its directors and committees.

## **Corporate governance - Statement of compliance - continued**

### **Interests of the directors in the shares of the company**

The directors are regularly informed of their obligations on dealing in shares of the company within the parameters of law. The board has approved the required reporting procedure through the Audit Committee in line with the principles included in the Code.

### **Appointment and election of directors**

The Articles of Association of the company provide that at every General Meeting five (5) directors are appointed as follows:

(a) a member of the company holding, or a number of members, who between them hold, such number of shares having voting rights as may be sufficient to constitute one (1) or more Qualifying Holdings (such number of shares held by a member of the company amounting to twenty per cent (20%) of the issued share capital of the company having voting rights) is entitled to appoint one (1) director for every Qualifying Holding held, by letter addressed to the company secretary;

(b) any member who is not entitled to appoint directors in terms of the provisions of paragraph (a) above, or who is not entitled to aggregate his holdings with those of other members for the purposes of appointing a director(s) pursuant thereto, is entitled to participate and vote in an election of directors at a general meeting of the company;

(c) shareholders 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 of at least 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.

### **Terms of appointment**

During the last Annual General Meeting the aggregate maximum amount of remuneration that may be received by the board for their service was set at €30,000. Since the board is made up of non-executive directors, the determination of remuneration arrangements for each board member is established collectively by the board of directors.

## **Corporate governance - Statement of compliance** - continued

### **Committees**

In order to better delegate its powers, the board has appointed and established terms of reference for two committees.

#### *Audit Committee*

The Audit Committee set up in terms of the principles of the Code, assists the board in fulfilling its supervisory and monitoring responsibilities by reviewing the financial statements and disclosures, the systems of internal control established by management and the external and internal audit processes. It is made up of three non-executive directors - Joseph Azzopardi, Aurelio Theuma and Philip Tabone. Aurelio Theuma is a Certified Public Accountant. The terms of reference of the Audit Committee ensure that it acts separately and independently of management. The Audit Committee is required to meet at least four (4) times a year. During the year under review the committee made up of three non-executive directors met seven times. During these meetings the company's external auditor was invited to attend.

Internal Audit is an independent appraisal function established within the organisation to examine and evaluate its activities as a service to the company. The internal auditor reports to the Audit Committee and attends its meetings. The mission set by the Audit Committee for the internal auditor is to adopt business process risk-based audits, aimed at ensuring adequate controls and also business process efficiency.

Members of management are also invited to attend Audit Committee meetings as deemed necessary by the committee.

#### *Executive Committee*

None of the directors on the board have any specific executive functions, except that two directors sit on the company's Executive Committee together with the Chief Executive Officer. The Executive Committee acts as the interface between Senior Management and the board. The terms of reference of the Executive Committee envisage the monitoring of policy matters delegated by the board and the direction of general management of the company.

### **Corporate social responsibility**

The directors also seek to adhere to accepted principles of corporate social responsibility in their management practices of the company in relation to the company's workforce, the country's cultural and historical heritage, the environment and the local community.

### **Training**

Continuous training programmes run by the company ensure professional development for members of staff and boost the company's competitiveness and efficiency.



## Corporate governance - Statement of compliance - continued

### Communications with shareholders and markets

Pursuant to the company's statutory obligations in terms of the Maltese Companies Act, 1995 and the MFSA Listing Rules, the annual report and financial statements, the declaration of a dividend, the election of directors, the appointment of the auditor and the authorisation of the directors to set the auditor's fees, and other special business, are proposed and approved at an Annual General Meeting. The board of directors is responsible for developing the agenda for the General Meeting and sending it to the shareholders.

The company communicates with its shareholders by publishing its results on a six-monthly basis during the year, by way of the annual report and financial statements, and through periodical company announcements to the market in general. The company is required to issue a quarterly company announcement for the first and third quarter announcing material events and/or transactions that have taken place during the said quarters of the financial year that would require disclosure under the applicable Listing Rules.

The annual report, which is designed to serve as an effective means of communication and information on the company's business, is amplified further in the presentations given to shareholders in the course of the Annual General Meeting.

### Going concern

The directors are satisfied that, having taken into account the strength of the company's balance sheet and the level of profitability, it is reasonable to assume that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Approved by the board of directors on 15 January 2009 and signed on its behalf by:



Joseph Said  
Chairman



David Stellini  
Director

**Independent auditor's report to the shareholders of MaltaPost p.l.c. on corporate governance pursuant to Listing Rule 8.39 issued by the Listing Authority**

Listing Rules 8.37 and 8.38 issued by the Listing Authority require the company's directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those Principles.

Our responsibility, as auditors of the company, is laid down by Listing Rule 8.39 which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's Corporate Governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 3 to 7 has been properly prepared in accordance with the requirements of Listing Rules 8.37 and 8.38 issued by the Listing Authority.

  
PRICEWATERHOUSECOOPERS 

167 Triq il-Merkanti  
Valletta VLT 1174  
Malta



Simon Flynn  
Partner

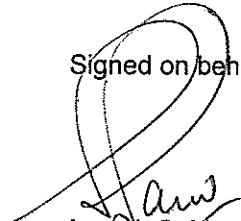
15 January 2009

### Statement of directors pursuant to Listing Rule 9.40.5

We, the undersigned, declare that to the best of our knowledge, the financial statements are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the financial position of the company as at 30 September 2008, of its financial performance and its cash flows for the year then ended.

The Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Signed on behalf of the board of directors on 15 January 2009 by:



Joseph Said  
Chairman



David Stellini  
Director

## **Statement of directors' responsibilities**

The directors are required by the Maltese 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 the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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 control 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, 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.

## **Independent auditor's report**

To the Shareholders of MaltaPost p.l.c.

We have audited the financial statements of MaltaPost p.l.c. on pages 13 to 38 which comprise the balance sheet as at 30 September 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 10, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Independent auditor's report - continued

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 30 September 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

  
PRICEWATERHOUSECOOPERS 

167 Triq il-Merkanti  
Valletta VLT 1174  
Malta



Simon Flynn  
Partner

15 January 2009

## Income statement

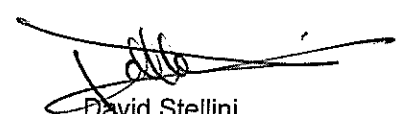
	Notes	Year ended 30 September	
		2008 €'000	2007 €'000 <i>restated</i>
<b>Revenue</b>	2	<b>20,477</b>	18,530
Employee benefits expense	3	(10,069)	(10,181)
Depreciation and amortisation expense	3	(869)	(928)
Other expenses	3	(6,991)	(6,043)
<b>Operating profit</b>		<b>2,548</b>	1,378
Interest receivable	5	349	285
<b>Profit before income tax</b>		<b>2,897</b>	1,663
Income tax expense	6	(1,016)	(572)
<b>Profit for the financial year</b>		<b>1,881</b>	1,091
<b>Earnings per share on profit from operations attributable to the equity holders</b>	8	<b>€0.07</b>	€0.04

## Balance sheet

	Notes	As at 30 September	
		2008 €'000	2007 €'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible asset	10	355	432
Tangible assets			
Property, plant and equipment	11	2,549	2,732
Financial assets			
Available-for-sale investments	12	3,832	3,575
Total fixed assets		6,736	6,739
<b>Non-current assets</b>			
Deferred income tax asset	15	340	148
Total non-current assets		7,076	6,887
<b>Current assets</b>			
Inventories	13	481	570
Trade and other receivables	14	5,902	4,282
Cash and cash equivalents	20	7,950	7,458
Total current assets		14,333	12,310
<b>Total assets</b>		<b>21,409</b>	<b>19,197</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up issued share capital	18	7,000	6,522
Other reserves	19	3	424
Retained earnings		1,991	1,508
<b>Total equity</b>		<b>8,994</b>	<b>8,454</b>
<b>Non-current liabilities</b>			
Provision for liabilities and charges	17	1,569	1,736
Total provision for liabilities and charges		1,569	1,736
<b>Current liabilities</b>			
Trade and other payables	16	10,003	8,560
Current income tax liabilities		843	447
Total current liabilities		10,846	9,007
<b>Total equity and liabilities</b>		<b>21,409</b>	<b>19,197</b>

The financial statements on pages 13 to 38 were authorised for issue by the board on 15 January 2009 and were signed on its behalf by:

  
Joseph Said  
Chairman

  
David Stellini  
Director



## Statement of changes in equity

		Attributable to equity shareholders			
	Notes	Called up issued share capital €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 October 2006		6,522	624	417	7,563
Fair value loss on available-for-sale investments	19	-	(200)	-	(200)
Net expense recognised directly in equity		-	(200)	-	(200)
Profit for the financial year		-	-	1,091	1,091
<b>Balance at 30 September 2007</b>		<b>6,522</b>	<b>424</b>	<b>1,508</b>	<b>8,454</b>
Balance at 1 October 2007		6,522	424	1,508	8,454
Fair value gain on available-for-sale investments	19	-	57	-	57
Net income recognised directly in equity		-	57	-	57
Capitalisation of reserves	19	478	(478)	-	-
Profit for the financial year		-	-	1,881	1,881
Dividends to equity holders	9	-	-	(1,398)	(1,398)
<b>Balance at 30 September 2008</b>		<b>7,000</b>	<b>3</b>	<b>1,991</b>	<b>8,994</b>

## Cash flow statement

	Note	Year ended 30 September	
		2008 €'000	2007 €'000 <i>restated</i>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		83,467	86,120
Cash paid to suppliers and employees		(80,406)	(81,106)
		3,061	5,014
Cash generated from operating activities		(812)	(371)
Income tax paid		2,249	4,643
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		322	244
Purchase of property, plant and equipment		(481)	(655)
Purchase of investments		(200)	(1,276)
Proceeds on maturity/disposal of investments		-	2
		(359)	(1,685)
<b>Net cash used in investing activities</b>			
<b>Cash flow used in financing activities</b>			
Dividends paid		(1,398)	-
		492	2,958
<b>Net increase in cash and cash equivalents</b>		7,458	4,500
Cash and cash equivalents at beginning of year		7,950	7,458
<b>Cash and cash equivalents at end of year</b>	20		

## 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 (IFRSs) as adopted by the European Union and comply with the requirements of the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 1 – Critical accounting estimates and judgements).

#### *Standards, interpretations and amendments to published standards effective in 2008*

In 2008, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 October 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the company's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the company's financial instruments and capital.

#### *Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the company's accounting periods beginning after 1 October 2007. The company has not early adopted these revisions to the requirements of IFRSs and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS 8, Operating Segments (effective from 1 January 2009), replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The company will apply IFRS 8 from 1 October 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As the intangible asset is allocated to groups of cash-generated units based on segment level, the change will also require management to reallocate the intangible asset to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the intangible asset balance.

## 2. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company 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 overseas postal administrations. Revenue is recognised as follows:

- (a) Income from sale of stamps, commissions earned on postal and non-postal transactions and from foreign outbound mail 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.
- (b) Interest receivable is recognised as it accrues on a time proportion basis using the effective interest method, unless collectability is in doubt.
- (c) Dividend income is recognised when the right to receive payment is established.

## 3. Foreign currencies

### *Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Malta adopted the euro as its national currency on 1 January 2008. This date fell within the company's financial reporting period. On this date the company's functional currency was changed from Maltese lira to euro. Consequently, the results and financial position of the company were translated at the Irrevocably Fixed Conversion Rate of €1: Lm0.429300 as at that date. The financial statements are presented in euro which is the company's presentation currency.

As the company converted its presentation currency from Maltese lira to euro, all comparative information was converted using the Irrevocably Fixed Conversion Rate noted above.

### *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 the income statement.

## 4. Borrowing costs

Finance costs are charged against income without restriction. Thus, no borrowing costs have been capitalised.

## **5. Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments of operating in other economic environments.

## **6. Intangible assets**

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

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the assets to its estimated recoverable amount (Accounting policy 9).

## **7. Investments - available-for-sale**

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, changes in exchange rate or changes in market prices are classified as available-for-sale investments. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. The fair value of quoted investments is based on quoted market prices at the balance sheet date. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Unrealised gains and losses arising from changes in the fair value of non-monetary financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments.

## **8. Property, plant and equipment**

Property, plant and equipment are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy 9).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

**9. Impairment of assets**

*Impairment of non-financial assets*

Assets that are subject to depreciation 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).

*Impairment of financial assets*

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable data about certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flow from the financial asset since the initial recognition.

**9. Impairment of assets - continued**

In the case of equity financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

**10. 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 income statement on a straight-line basis over the period of the lease.

**11. Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of postal stationery is determined by the standard cost method, inventories for resale on a weighted average basis, and other inventories 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.

**12. Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of debts. Significant financial difficulties of a receivable, probability that the receivable will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade debt is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**13. Provision for liabilities and charges**

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

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

**14. Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdraft. In the balance sheet, the bank overdraft is included in borrowings in current liabilities.

**15. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

**16. Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**17. Income tax expense**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is expected tax payable on the taxable income for the year, using tax enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**18. Provisions**

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.



**19. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

**20. Earnings per share**

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic 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.

**21. Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the period in which the dividends are approved by the company's shareholders.

## Notes to the financial statements

### 1. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

### 2. Segmental information

Revenue is analysed as follows:

	2008 €'000	2007 €'000
<b>By activity</b>		
Postal	16,988	15,876
Philatelic	1,140	593
Other	2,349	2,061
	<b>20,477</b>	18,530
<b>By geographical segments</b>		
Local	17,798	16,471
International	2,679	2,059
	<b>20,477</b>	18,530

Segment information as required by IAS 14 – Segment Reporting is not relevant as the company primarily provides postal and related retail services to customers who are subject to the same risks and returns.

**3. Expenses by nature**

	2008	2007
	€'000	€'000
		<i>restated</i>
Employee benefits expense (Note 4)	10,069	10,181
Amortisation (Note 10)	77	77
Depreciation (Note 11)	792	851
Foreign outbound mail	2,834	2,208
Rent	237	320
Repairs and maintenance	485	497
Movement in impairment of receivables (Note 14)	42	12
Other expenses	3,393	3,006
	17,929	17,152

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

	2008	2007
	€'000	€'000
Audit remuneration	16	16
Other assurance services	9	2
Tax advisory services	1	1
Other non-assurance services	2	-
	28	19

**4. Employee benefits expense**

	2008	2007
	€'000	€'000
		<i>restated</i>
Wages and salaries	9,093	9,137
Other staff costs	237	-
Provision for liabilities and charges (Note 17)	(3)	289
Social security costs	742	755
	10,069	10,181

**4. Employee benefits expense - continued**

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

	2008	2007
Direct	572	572
Administration	33	39
	605	611

**5. Interest receivable**

	2008 €'000	2007 €'000 <i>restated</i>
Bank	140	92
Debt securities	209	193
	349	285

**6. Income tax expense**

	2008 €'000	2007 €'000
Current income tax expense	1,208	675
Deferred income tax credit (Note 15)	(192)	(103)
Income tax expense	1,016	572

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

	2008 €'000	2007 €'000
Profit before income tax	2,897	1,663
Tax at 35%	1,014	582
Tax effect of:		
Non-temporary differences	66	47
Investment income taxed at different rates of tax	(64)	(57)
Income tax expense	1,016	572

**7. Directors' emoluments**

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Directors' emoluments	<b>24</b>	27

The company paid insurance premia of €4,749 (2007: €3,494) during the year, in respect of professional indemnity in favour of its directors.

**8. Earnings per share**

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

	<b>2008</b>	2007
Profit attributable to equity holders (€'000)	<b>1,881</b>	1,091
Weighted average number of ordinary shares in issue (thousands) (Note 18)	<b>27,571</b>	26,089
Earnings per share	<b>€0.07</b>	€0.04

2007 comparative information has been stated to reflect the change in the number of shares in issue as described in note 18.

**9. Dividends**

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Interim dividend on ordinary shares	<b>1,398</b>	-
€ per share (net)	<b>€0.05</b>	-

An interim dividend of €1,397,624 in respect of the year ended 30 September 2008 was announced on 21 December 2007, and paid to the ordinary shareholders on 21 December 2007. This interim dividend was paid out of profits taxed at 35%. At the forthcoming Annual General Meeting, a final net dividend of €1,120,000 in respect of the financial year ended 30 September 2008 is to be proposed.

These financial statements do not reflect the final dividend of €1,120,000, 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 2009.

**10. Intangible asset**

	Postal licence €'000
<b>At 1 October 2006</b>	
Cost	1,159
Accumulated amortisation	(650)
Net book amount	<u>509</u>
<b>Year ended 30 September 2007</b>	
Opening net book amount	509
Amortisation charge	(77)
Closing net book amount	<u>432</u>
<b>At 30 September 2007</b>	
Cost	1,159
Accumulated amortisation	(727)
Net book amount	<u>432</u>
<b>Year ended 30 September 2008</b>	
Opening net book amount	432
Amortisation charge	(77)
Closing net book amount	<u>355</u>
<b>At 30 September 2008</b>	
Cost	1,159
Accumulated amortisation	(804)
Net book amount	<u>355</u>

The intangible asset represents the amount paid for the right to operate the postal services in Malta. This right has a useful life of 15 years and is amortised over this definite period.

**11. Property, plant and equipment**

	Improvements to premises €'000	Furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
<b>At 1 October 2006</b>					
Cost	2,603	1,036	2,358	19	6,016
Accumulated depreciation	(919)	(579)	(1,602)	(11)	(3,111)
Net book amount	1,684	457	756	8	2,905
<b>Year ended 30 September 2007</b>					
Opening net book amount	1,684	457	756	8	2,905
Additions	466	66	146	-	678
Depreciation charge	(315)	(133)	(400)	(3)	(851)
Closing net book amount	1,835	390	502	5	2,732
<b>At 30 September 2007</b>					
Cost	3,069	1,102	2,504	19	6,694
Accumulated depreciation	(1,234)	(712)	(2,002)	(14)	(3,962)
Net book amount	1,835	390	502	5	2,732
<b>Year ended 30 September 2008</b>					
Opening net book amount	1,835	390	502	5	2,732
Additions	337	61	211	-	609
Depreciation charge	(372)	(122)	(295)	(3)	(792)
Closing net book amount	1,800	329	418	2	2,549
<b>At 30 September 2008</b>					
Cost	3,406	1,163	2,715	19	7,303
Accumulated depreciation	(1,606)	(834)	(2,297)	(17)	(4,754)
Net book amount	1,800	329	418	2	2,549

**12. Available-for-sale investments**

	2008 €'000	2007 €'000
<b>Year ended 30 September</b>		
Opening net book amount	3,575	2,501
Additions	200	1,277
Disposals	-	(3)
Net fair value gain/(loss) (Note 19)	57	(200)
Closing net book amount	3,832	3,575
<b>At 30 September</b>		
Cost	3,922	3,722
Accumulated fair value losses	(90)	(147)
Net book amount	3,832	3,575

Available-for-sale investments consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 4.7% to 6.7% (2007: 4.7% to 6.8%). The weighted average effective interest rate as at 30 September 2008 was 5.10% (2007: 5.10%).

**13. Inventories**

	2008 €'000	2007 €'000
Stamps and postal stationery	172	264
Inventories for resale	186	193
Other inventory items	123	113
	481	570

**14. Trade and other receivables**

	2008 €'000	2007 €'000
Trade receivables – gross	3,691	2,114
Provision for impairment of receivables	(74)	(32)
Trade receivables – net	3,617	2,082
Amounts due by related parties	145	1,837
Other receivables	766	10
Indirect taxation recoverable	-	8
Prepayments and accrued income	1,374	345
	5,902	4,282



**14. Trade and other receivables - continued**

The company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 23. The other classes within receivables do not contain impaired assets.

**15. Deferred income tax asset**

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

	2008 €'000	2007 €'000
At beginning of year	148	45
Credit to the income statement (Note 6)	192	103
<b>At end of year</b>	<b>340</b>	<b>148</b>

The balance at 30 September represents:

	2008 €'000	2007 €'000
Temporary differences on property, plant and equipment	217	137
Temporary differences on provisions	123	11
<b>At end of year</b>	<b>340</b>	<b>148</b>

Deferred income tax is principally composed of deferred income tax assets and liabilities which are to be recovered and settled after more than twelve months.

**16. Trade and other payables**

	2008 €'000	2007 €'000
<b>Amounts falling due within one year</b>		
Trade payables	3,441	1,982
Amounts owed to related parties	-	746
Amounts collected on behalf of third parties	2,296	3,900
Other payables	220	57
Indirect taxes and social security	101	189
Unearned revenue	153	146
Accruals and deferred income	3,792	1,540
	<b>10,003</b>	<b>8,560</b>

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

**17. Provision for liabilities and charges**

	<b>2008</b>	2007
	<b>€'000</b>	€'000
At end of year	<b>1,569</b>	1,736

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 scheme is a final salary defined benefit plan and is unfunded.

The amount recognised in the balance sheet is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Present value of unfunded obligations	<b>2,268</b>	2,375
Fair value of obligations to be reimbursed by Government	<b>(699)</b>	(639)
Present value of unfunded obligations	<b>1,569</b>	1,736

The movement for the year is made up of:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Credit/(charge) to the income statement	<b>3</b>	(289)
Crystallised obligations	<b>164</b>	-
	<b>167</b>	(289)

The amount recognised in the income statement is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Interest cost	<b>(245)</b>	(199)
Net actuarial gains/(losses) recognised during the year	<b>248</b>	(90)
Total amount credited/(charged) to the income statement	<b>3</b>	(289)

In computing the provision, the company used a discount rate of 4.47% (2007: 5.1%), whereas the future salary increases were based on inflation rates and past salary increases.

## 18. Share capital

	2008 €'000	2007 €'000
<b>Authorised</b>		
56,000,000 ordinary shares of €0.25 each	<b>14,000</b>	-
(2007: 5,000,000 ordinary shares of €2.329373 each)	-	11,647
	14,000	11,647
<b>Issued and fully paid up</b>		
28,000,000 ordinary shares of €0.25 each	<b>7,000</b>	-
(2007: 1,820,000 A ordinary shares of €2.329373 each	-	4,239
980,000 B ordinary shares of €2.329373 each)	-	2,283
	7,000	6,522

The denomination and value of the company's nominal share capital was translated at the Irrevocably Fixed Conversion Rate of €1: Lm0.4293 from 1 January 2008 as a result of Malta's adoption of the euro.

By virtue of a resolution dated 21 December 2007 the company capitalised €477,754.43 of its share premium for the purpose of a bonus issue and changed the nominal and paid up value of the shares in issue to €0.25 each, thereby increasing the issued and fully paid up share capital to 28,000,000 shares of €0.25 each, resulting in a paid up capital of €7,000,000.

## 19. Other reserves

	Fair value reserve €'000	Share premium €'000	Total €'000
At 1 October 2006	53	571	624
Fair value loss (Note 12)	(200)	-	(200)
At 30 September 2007	(147)	571	424
At 1 October 2007	(147)	571	424
Fair value gain (Note 12)	57	-	57
Capitalisation of reserves	-	(478)	(478)
<b>At 30 September 2008</b>	<b>(90)</b>	<b>93</b>	<b>3</b>

The fair value reserve represents changes in fair value of available-for-sale investments which are unrealised at financial reporting date. These amounts are accounted for in this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal, realised fair value gains are transferred to the income statement.

**20. Cash and cash equivalents**

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

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Cash and cash equivalents	<b>7,950</b>	7,458

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**21. Commitments**

**Operating lease commitments**

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

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Within 1 year	<b>192</b>	198
Between 2 and 5 years	<b>520</b>	729
After 5 years	<b>-</b>	44
	<b>712</b>	971

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The company is also committed to pay a licence fee of 34% of its total gross revenue from postal services within the scope of the universal services.

**22. Related party transactions**

Redbox Limited is a subsidiary of Lombard Bank Malta p.l.c., and all entities that control or are controlled by Lombard Bank Malta p.l.c. and those which fall within the Lombard Bank Malta p.l.c. administration structure, are considered by the directors to be related parties.

The sale of stamps to these entities is made directly or indirectly by the company in the normal course of business at normal arm's length prices and is included with revenue. Disclosure of these amounts, which would not be material is not deemed necessary for the purpose of understanding the company's financial results or its financial position.

In addition the following transactions were carried out by the company with related parties:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Bank balances held with related parties	<b>3,200</b>	1,416
Bank interest received from related parties	<b>60</b>	8
Commission received from related parties	<b>-</b>	538
Provision for liabilities and charges	<b>-</b>	289
Services rendered by related parties	<b>-</b>	70
Purchase of goods from related parties	<b>145</b>	-

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## 22. Related party transactions - continued

Year end balances owed by or to related parties, arising principally from the above transactions are disclosed in notes 14 and 16 to these financial statements respectively.

Key management personnel principally comprise the directors of the company. Total fees and emoluments paid to the directors have been disclosed in note 7.

## 23. Financial risk management

The company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. 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.

### 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 respective company's functional currency. The company is exposed to foreign exchange risk arising primarily from the company's sales and purchases, a part of which are denominated in UK pound, US dollar and SDR.

The table below summarises the company's exposure to foreign currency other than the functional currency for the exposure of assets and liabilities by foreign currencies:

	GBP €'000	USD €'000	SDR €'000
<b>2008</b>			
<i>Financial assets</i>			
Trade receivables	-	-	2,845
Cash and cash equivalents	50	151	-
	50	151	2,845
<i>Financial liabilities</i>	427	-	1,943
<b>Net exposure to foreign currency risk</b>	<b>(377)</b>	<b>151</b>	<b>902</b>
<b>2007</b>			
<i>Financial assets</i>			
Trade receivables	11	-	1,450
Cash and cash equivalents	61	80	-
	72	80	1,450
<i>Financial liabilities</i>	297	15	1,119
<b>Net exposure to foreign currency risk</b>	<b>(225)</b>	<b>65</b>	<b>331</b>

**23. Financial risk management - continued**

(i) Foreign exchange risk - continued

Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods of time in accordance with the negotiated credit terms.

Also foreign exchange risk attributable to future transactions is not deemed to be significant and 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 balance sheet date, is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

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

The company's available-for-sale investments consist principally of corporate and government debt securities which are carried at fair value.

Management does not consider cash flow and fair value interest rate risk to be significant. 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 balance sheet date is not deemed necessary.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, 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:

	<b>2008</b>	<b>2007</b>
	<b>€'000</b>	<b>€'000</b>
Debt securities (Note 12)	<b>3,832</b>	3,575
Trade and other receivables (Note 14)	<b>4,528</b>	3,937
Cash and cash equivalents (Note 20)	<b>7,950</b>	7,458
	<b>16,310</b>	14,970

The company banks only with local financial institutions with high quality standing or rating. The company's operations are principally carried out in Malta. The company has no concentration of credit risk that could materially impact on the sustainability of its operations. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the company's results.

**23. Financial risk management - continued**

Credit risk - continued

The company assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are made in cash. The company monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the company's receivables taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the company's standard payment and service delivery terms and conditions are offered. The company's review includes external credit worthiness databases when available. The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

The company's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

***Impairment losses***

Impairment provisions of €66,097 (2007: €31,824) for the company were present at year end in respect of trade receivables that were overdue and €8,009 (2007: nil) that were current. These amounts were not expected to be recovered.

Other overdue trade receivables amounted to €1,385,936 (2007: €748,663) but were not impaired.

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

	<b>2008</b>	<b>2007</b>
	<b>€'000</b>	<b>€'000</b>
At 1 October	<b>32</b>	20
Increase in provision	<b>42</b>	12
<b>At 30 September</b>	<b>74</b>	32

The company does not hold collateral as security for all its assets.

Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables (refer to note 16). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

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

**23. Financial risk management - continued**

Fair values

The carrying amounts of cash and cash equivalents, trade receivables (net of impairment provisions) and payables are assumed to approximate their fair values. The fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the entity is the current bid price.

**24. Capital management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**25. Statutory information**

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

**26. Comparative Information**

All comparative financial information has been converted into euro using the Irrevocably Fixed Conversion Rate of €1: Lm0.429300. This change in comparative presentation has been made for information purposes only.

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.