MALTAPOST p.l.c.

Annual Report and Financial Statements
30 September 2009

Company Registration Number: C22796

Directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2009.

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 decreased by 1.4 per cent (2008: increase of 10.5 per cent) when compared to the same period in 2008, while the Company's costs also decreased by 3.4 per cent (2008: increase of 4.5 per cent).

The decrease in revenue was mainly due to the lower volumes of domestic mail and lower sales of philatelic products. The Company however continued to experience a steady growth in international inbound packets and parcels, mainly generated through e-commerce. Certain non-traditional niche services also experienced a growth, despite the general poor economic situation prevailing worldwide. The continued trust shown by clients choosing MaltaPost p.l.c. for the conveyance of bulky mail and parcels, continued to be facilitated by improvements made in the delivery process of such mail items.

The ongoing review of operational processes resulted in lower operating costs. The Company remains committed to make efficient use of its resources in order to meet the ever changing demands of both the local and international markets.

The above factors resulted in the Company registering a profit before tax of €3.19 million, an increase of 10 per cent over the previous year. 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 10. The Directors recommend the payment of a final net dividend of €0.04 per share amounting €1,165,192 (2008: €1,120,000).

Directors

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

Joseph Said (Chairman)
David Stellini
Joseph Azzopardi
Philip Tabone
Aurelio Theuma

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.

Directors' report - continued

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.

Directors' statement of responsibilities in relation to the financial statements

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

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal 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 Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MaltaPost p.l.c. for the year ended 30 September 2009 are included in the Annual Report 2009, which is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 30 September 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Directors' report - continued

Going concern basis

After making due enquiries, the Directors have a reasonable expectation, at the time of approving the financial statements, that the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Joseph Said
Chairman

David Stellini
Director

Registered office
305 Triq Hal-Qormi
Marsa MTP 1001
Malta

21 January 2010

Corporate Governance - Statement of Compliance

Pursuant to the requirements of the Listing Rules 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 Chapter 8 of the Listing Rules as well as the measures adopted to ensure compliance with these same Principles.

Compliance with the Principles

It is the responsibility of the Board of Directors to ensure good Corporate Governance and notwithstanding that 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 company 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 judgment 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 every Annual General Meeting.

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

	First appointment date	Attendance out of 7 Board meetings held
Joseph Azzopardi	18 August 2006	7
Joseph Said	18 August 2006	7
David Stellini	1 December 2004	7
Philip Tabone	30 July 2003	7
Aurelio Theuma	8 October 2007	7

Upon first joining the Board, a Director is provided with a dossier containing, inter alia, relevant legislation, rules and bye-laws as well as the Company's Statute and other material intended to assist the Directors in carrying out their responsibilities.

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:

(a) setting the overall direction, business objectives, goals and the strategy of the Company with a view to maximise value;

(b) reviewing and approving the business plans and targets that are submitted by management and working with management in the implementation of these plans;

(c) identifying the principal business risks of the Company and overseeing the implementation within a realisable timeframe and monitoring of appropriate risk management systems;

(d) ensuring that effective internal control and management information systems for the Company are in place;

(e) 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

(f) 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 2009 financial year, the Board held seven 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.

Directors have access to the advice and services of the Company Secretary as well as 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. In addition the Board is advised directly, as appropriate, by its 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.

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 in compliance with the Principles, the Listing Rules as well as the Internal Code of Dealing.

Corporate Governance - Statement of Compliance - continued

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 the 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 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.

Board Committees

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

Corporate Governance - Statement of Compliance - continued

Audit Committee

The Audit Committee set up in terms of the Principles laid out in the Listing Rules, 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 Julius Bozzino and three non-executive Directors - Joseph Azzopardi, Aurelio Theuma and Philip Tabone. Aurelio Theuma is a qualified accountant, and the Board considers him to be competent in accounting. 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 and another member, 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 efficient business processes.

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 the execution of policy matters delegated by the Board and the direction of general management of the Company.

Risk Management and Compliance

A senior official is responsible for assisting the Board in assessing the different types of risk to which MaltaPost p.l.c. is exposed. This function also monitors, on an on-going basis, the effective management of the different types of risk at the same time as ensuring that the Company is in full compliance with all the obligations imposed by codes, rules, legislation and statute relevant to MaltaPost p.l.c. as well as its business.

Corporate Social Responsibility

The Directors also seek to adhere to sound Principles of Corporate Social Responsibility in their management practices of the Company in particular in relation to the Company's workforce, the country's cultural and historical heritage, the environment and the local community.

Training

The Company actively encourages the personal development of staff members by continuously providing guidance as well as training programmes which are designed to help staff members achieve their maximum potential at the same time as boosting 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 and half yearly reports and financial statements, and through periodical Company Announcements to the market in general.

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. Furthermore, the Company's presence on the worldwide web (www.maltapost.com) contains a corporate information section.

Approved by the Board of Directors on 21 January 2010 and signed on its behalf by:

Joseph Said
Chairman

David Stellini
Director

Statement of financial position

	Notes	As at 30 September 2009 €'000	2008 €'000
ASSETS			
Non-current assets			
Intangible asset	4	**278**	355
Property, plant and equipment	5	**2,327**	2,549
Available-for-sale financial assets	6	**4,896**	3,832
Deferred income tax asset	7	**442**	340
Total non-current assets		**7,943**	7,076
Current assets			
Inventories	8	**424**	481
Trade and other receivables	9	**6,652**	5,902
Cash and cash equivalents	10	**7,046**	7,950
Total current assets		**14,122**	14,333
Total assets		**22,065**	21,409
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**7,282**	7,000
Other reserves	12	**750**	3
Retained earnings		**2,845**	1,991
Total equity		**10,877**	8,994
Non-current liabilities			
Provision for liabilities and charges	13	**1,600**	1,569
Total provision for liabilities and charges		**1,600**	1,569
Current liabilities			
Trade and other payables	14	**9,028**	10,003
Current income tax liabilities		**560**	843
Total current liabilities		**9,588**	10,846
Total equity and liabilities		**22,065**	21,409

The notes on pages 13 to 32 are an integral part of these financial statements.

The financial statements on pages 9 to 32 were authorised for issue by the Board on 21 January 2010 and were signed on its behalf by:

Joseph Said
Chairman

David Stellini
Director

Income statement

	Notes	Year ended 30 September 2009 €'000	2008 €'000
Revenue	15	**20,192**	20,477
Employee benefits expense	16	**(9,637)**	(10,069)
Depreciation and amortisation expense	16	**(838)**	(869)
Other expenses	16	**(6,852)**	(6,991)
Operating profit		**2,865**	2,548
Finance income	18	**322**	349
Profit before tax		**3,187**	2,897
Tax expense	19	**(1,213)**	(1,016)
Profit for the year		**1,974**	1,881
Earnings per share	21	**€0.07**	€0.07

The notes on pages 13 to 32 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Attributable to equity shareholders			
		Share capital €'000	**Other reserves** €'000	**Retained earnings** €'000	**Total** €'000
Balance at 1 October 2007		6,522	424	1,508	8,454
Fair value gains on available-for-sale financial assets	12	-	57	-	57
Net income recognised directly in equity		-	57	-	57
Capitalisation of reserves	12	478	(478)	-	-
Profit for the year		-	-	1,881	1,881
Dividends	22	-	-	(1,398)	(1,398)
Balance at 30 September 2008		**7,000**	**3**	**1,991**	**8,994**
Balance at 1 October 2008		7,000	3	1,991	8,994
Fair value gains on available-for-sale financial assets	12	-	159	-	159
Net income recognised directly in equity		-	159	-	159
Allotment of shares	12	-	588	-	588
Increase in share capital	11	282	-	-	282
Profit for the year		-	-	1,974	1,974
Dividends	22	-	-	(1,120)	(1,120)
Balance at 30 September 2009		**7,282**	**750**	**2,845**	**10,877**

The notes on pages 13 to 32 are an integral part of these financial statements.

Statement of cash flows

	Year ended 30 September	
	2009	2008
	€'000	€'000
Cash flows from operating activities		
Cash from customers	**84,915**	83,467
Cash paid to suppliers and employees	**(82,824)**	(80,406)
Cash from operating activities	**2,091**	3,061
Income tax paid	**(1,598)**	(812)
Net cash from operating activities	**493**	2,249
Cash flows from investing activities		
Finance income	**343**	322
Purchase of property, plant and equipment	**(561)**	(481)
Purchase of financial assets	**(937)**	(200)
Proceeds on maturity/disposal of financial assets	**7**	-
Net cash used in investing activities	**(1,148)**	(359)
Cash flow used in financing activities		
Dividends paid	**(249)**	(1,398)
Net movement in cash and cash equivalents	**(904)**	492
Cash and cash equivalents at beginning of year	**7,950**	7,458
Cash and cash equivalents at end of year	**7,046**	7,950

The notes on pages 13 to 32 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the requirements of the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention.

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

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 October 2008. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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 2008. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IAS 1 (revised), Presentation of financial statements, and IFRS 7 'Financial instruments - Disclosures' (amendment), are both effective for periods beginning on or after 1 January 2009, but do not have any impact on the classification and measurement of the Company's elements of the financial statements. IAS 1 (revised) requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income, while IFRS 7 (amendment) requires enhanced disclosures about fair value measurement. In accordance with the respective transition provisions of these standards, comparative information has been re-presented in respect of the disclosures required by IAS 1 (revised) but has not been re-presented in respect of the disclosures required by IFRS 7 (amendment).

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.

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

1.1 Basis of preparation - continued

IFRS 9, Financial instruments, addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2013. The group is considering the implications of the standard and its impact on the group's financial results and position.

1.2 Foreign currency translation

(a) 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').

(b) Transactions and balances

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

1.3 Property, plant and equipment

Property, plant and equipment are initially stated 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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 the end of each reporting period.

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 1.5).

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

1.3 Property, plant and equipment - continued

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount, and are recognised within 'Other income/(expenses)' in the income statement.

1.4 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.

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.

1.5 Available-for-sale financial assets

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 financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the reporting period.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the financial assets. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets 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 financial assets is based on quoted market prices at the reporting 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 financial assets.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

1.7 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.

1.8 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 and other 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that the 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.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdraft. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 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.

1.11 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.

1.12 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 reporting date.

1. Summary of significant accounting policies – continued

1.13 Borrowing costs

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

1.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Current 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 recognised 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 end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

1.15 Provisions

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

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

1.16 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.

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

1.17 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 the reporting date for which the service has not yet been provided.

(b) Finance income 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.

1.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are 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.

1.19 Dividends

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

1.20 Segment reporting

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.

1.21 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.

2. **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.

2. Financial risk management - continued

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
2009			
Financial assets			
Trade receivables	-	-	3,815
Cash and cash equivalents	38	330	-
	38	330	3,815
Financial liabilities	(104)	-	(536)
Net exposure to foreign currency risk	**(66)**	**330**	**3,279**
2008			
Financial assets			
Trade receivables	-	-	2,845
Cash and cash equivalents	50	151	-
	50	151	2,845
Financial liabilities	(427)	-	(1,943)
Net exposure to foreign currency risk	(377)	151	902

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 end of the reporting period, is not deemed necessary.

2. Financial risk management - continued

(ii) Cash flow and fair value interest rate risk

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

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

Management does not consider cash flow and fair value interest rate risk to be significant. Accordingly, a sensitivity analysis for this risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the end of the reporting is not deemed necessary.

Credit risk

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

	2009	2008
	€'000	€'000
Available-for-sale financial assets - debt securities (Note 6)	**4,896**	3,832
Trade and other receivables	**5,230**	4,528
Cash and cash equivalents (Note 10)	**7,046**	7,950
	17,172	16,310

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.

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.

2. **Financial risk management** - continued

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 €118,533 (2008: €66,097) for the Company were present at year end in respect of trade receivables that were overdue. No impairment provisions were present at year end against current balance (2008: €8,009). These amounts were not expected to be recovered.

Other overdue trade receivables amounted to €1,762,834 (2008: €1,028,251) but were not impaired.

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

	2009	2008
	€'000	€'000
At 1 October	**74**	32
Increase in provision	**44**	42
At 30 September	**118**	74

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

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

2.2 Capital risk 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.

2.3 Fair values of financial instruments

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 reporting date. The quoted market price used for financial assets held by the entity is the current bid price.

3. Critical accounting estimates and judgements

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

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.

4. Intangible asset

	Postal licence €'000
At 1 October 2007	
Cost	1,159
Accumulated amortisation	(727)
Net book amount	432
Year ended 30 September 2008	
Opening net book amount	432
Amortisation charge	(77)
Closing net book amount	355
At 30 September 2008	
Cost	1,159
Accumulated amortisation	(804)
Net book amount	355
Year ended 30 September 2009	
Opening net book amount	355
Amortisation charge	(77)
Closing net book amount	**278**
At 30 September 2009	
Cost	1,159
Accumulated amortisation	(881)
Net book amount	**278**

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.

5. Property, plant and equipment

	Improvements to premises €'000	Furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
At 1 October 2007					
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
Year ended 30 September 2008					
Opening net book amount	1,835	390	502	5	2,732
Additions	337	61	211	-	609
Depreciation	(372)	(122)	(295)	(3)	(792)
Closing net book amount	1,800	329	418	2	2,549
At 30 September 2008					
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
Year ended 30 September 2009					
Opening net book amount	1,800	329	418	2	2,549
Additions	268	60	212	3	543
Disposals	(10)	-	-	-	(10)
Depreciation	(424)	(114)	(220)	(3)	(761)
Depreciation released on disposal	6	-	-	-	6
Closing net book amount	**1,640**	**275**	**410**	**2**	**2,327**
At 30 September 2009					
Cost	3,664	1,223	2,927	22	7,836
Accumulated depreciation	(2,024)	(948)	(2,517)	(20)	(5,509)
Net book amount	**1,640**	**275**	**410**	**2**	**2,327**

6. Available-for-sale financial assets

	2009 €'000	2008 €'000
Year ended 30 September		
Opening net book amount	**3,832**	3,575
Additions	**937**	200
Disposals	**(7)**	-
Net fair value gain (Note 12)	**159**	57
Amortisation (Note 18)	**(25)**	-
Closing net book amount	**4,896**	3,832
At 30 September		
Cost	**4,852**	3,922
Accumulated fair value gains	**69**	(90)
Amortisation	**(25)**	-
Net book amount	**4,896**	3,832

Available-for-sale financial assets consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 4.6% to 7% (2008: 4.7% to 6.7%). The weighted average effective interest rate as at 30 September 2009 was 6.75% (2008: 5.10%).

7. Deferred income tax asset

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

	2009 €'000	2008 €'000
At beginning of year	**340**	148
Credit to the income statement (Note 19)	**102**	192
At end of year	**442**	340

The balance at 30 September represents:

	2009 €'000	2008 €'000
Temporary differences on property, plant and equipment	**280**	217
Temporary differences on provisions	**162**	123
At end of year	**442**	340

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.

8. Inventories

	2009 €'000	2008 €'000
Stamps and postal stationery	**143**	172
Inventories for resale	**158**	186
Other inventory items	**123**	123
	424	481

9. Trade and other receivables

	2009 €'000	2008 €'000
Trade receivables – gross	**5,293**	3,691
Provision for impairment of trade receivables	**(118)**	(74)
Trade receivables – net	**5,175**	3,617
Amounts due by related parties	**46**	145
Other receivables	**9**	766
Prepayments and accrued income	**1,422**	1,374
	6,652	5,902

The Company's exposure to credit and currency risks and impairment losses relating to trade and other receivables is disclosed in note 2. The other classes within receivables do not contain impaired assets.

10. Cash and cash equivalents

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

	2009 €'000	2008 €'000
Cash and cash equivalents	**7,046**	7,950

11. Share capital

	2009 €'000	2008 €'000
Authorised		
56,000,000 ordinary shares of €0.25 each	**14,000**	14,000
Issued and fully paid up		
29,129,795 (2008: 28,000,000) ordinary shares of €0.25 each	**7,282**	7,000
	7,282	7,000

By virtue of a resolution dated 30 January 2009 the Company's Directors approved the allotment of 1,129,795 ordinary shares of €0.25 each at a premium of €0.52 each (Note 12) as a bonus issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 29,129,795 shares of €0.25 each, resulting in a paid up capital of €7,282,449.

12. Other reserves

	Fair value reserve €'000	Share premium €'000	Total €'000
At 1 October 2007	(147)	571	424
Fair value gain (Note 6)	57	-	57
Capitalisation of reserves	-	(478)	(478)
At 30 September 2008	(90)	93	3
At 1 October 2008	(90)	93	3
Fair value gain (Note 6)	159	-	159
Allotment of shares (Note 11)	-	588	588
At 30 September 2009	**69**	**681**	**750**

The fair value reserve represents changes in fair value of available-for-sale financial assets 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.

13. Provision for liabilities and charges

	2009 €'000	2008 €'000
Present value of unfunded obligation	**1,821**	1,733
Crystallised obligation	**(221)**	(164)
At end of year	**1,600**	1,569

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 statement of financial position is as follows:

	2009 €'000	2008 €'000
Present value of unfunded obligations	**2,520**	2,432
Crystallised obligation	**(221)**	(164)
Fair value of obligations to be reimbursed by Government	**(699)**	(699)
Present value of unfunded obligations	**1,600**	1,569

The movement for the year is made up of:

	2009 €'000	2008 €'000
(Charge)/credit to the income statement	**(88)**	3
Crystallised obligation	**57**	164
	(31)	167

The amount recognised in the income statement is as follows:

	2009 €'000	2008 €'000
Interest cost	**(16)**	(245)
Net actuarial (losses)/gains recognised during the year	**(72)**	248
Total amount (charged)/credited to the income statement	**(88)**	3

In computing the provision, the Company used a discount rate of 4.47% (2008: 4.45%), whereas the future salary increases were based on inflation rates and past salary increases.

14. Trade and other payables

	2009 €'000	2008 €'000
Amounts falling due within one year		
Trade payables	**1,451**	3,177
Amounts collected on behalf of third parties	**2,479**	2,560
Other payables	**251**	220
Indirect taxes and social security	**32**	101
Unearned revenue	**135**	153
Accruals and deferred income	**4,680**	3,792
	9,028	10,003

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 2.

15. Segmental information

Revenue is analysed as follows:

	2009 €'000	2008 €'000
By activity		
Postal	**17,405**	16,988
Philatelic	**468**	1,140
Other	**2,319**	2,349
	20,192	20,477
By geographical segments		
Local	**17,814**	17,798
International	**2,378**	2,679
	20,192	20,477

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.

16. Expenses by nature

	2009	2008
	€'000	€'000
Employee benefits expense (Note 17)	**9,637**	10,069
Amortisation (Note 4)	**77**	77
Depreciation (Note 5)	**761**	792
Foreign outbound mail	**2,841**	2,834
Rent	**294**	237
Repairs and maintenance	**503**	485
Bad debts	**21**	-
Movement in impairment of receivables (Note 9)	**44**	42
Other expenses	**3,149**	3,393
	17,327	17,929

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

	2009	2008
	€'000	€'000
Audit remuneration	**17**	16
Other assurance services	**9**	9
Tax advisory services	**1**	1
Other non-assurance services	**-**	2
	27	28

17. Employee benefits expense

	2009	2008
	€'000	€'000
Wages and salaries	**8,445**	9,093
Other staff costs	**390**	237
Provision for liabilities and charges (Note 13)	**88**	(3)
Social security costs	**714**	742
	9,637	10,069

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

	2009	2008
Direct	**572**	572
Administration	**33**	33
	605	605

18. Finance income

	2009	2008
	€'000	€'000
Bank	**144**	140
Debt securities	**203**	209
Investment premium amortisation	**(25)**	-
	322	349

19. Tax expense

	2009	2008
	€'000	€'000
Current tax expense	**1,315**	1,208
Deferred tax credit (Note 7)	**(102)**	(192)
Tax expense	**1,213**	1,016

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

	2009	2008
	€'000	€'000
Profit before tax	**3,187**	2,897
Tax at 35%	**1,115**	1,014
Tax effect of:		
Unrecognised deferred tax in prior year	**5**	-
Under provision in prior year	**41**	-
Non-temporary differences	**85**	66
Investment income taxed at different rates of tax	**-**	(64)
Other income taxed at different rates of tax	**(33)**	-
Tax expense	**1,213**	1,016

20. Directors' emoluments

	2009	2008
	€'000	€'000
Directors' emoluments	**25**	24

The Company paid insurance premia of €5,192 (2008: €4,749) during the year, in respect of professional indemnity in favour of its Directors.

21. 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.

	2009	2008
Profit attributable to equity holders (€'000)	**1,974**	1,881
Weighted average number of ordinary shares in issue (thousands)	**28,656**	27,571
Earnings per share	**€0.07**	€0.07

22. Dividends

	2009 €'000	2008 €'000
Dividend on ordinary shares	**1,120**	1,398
€ per share (net)	**€0.04**	€0.05

At the forthcoming Annual General Meeting, a final net dividend of €0.04 in respect of the financial year ended 30 September 2009 is to be proposed.

These financial statements do not reflect the final dividend of €1,165,192, 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 2010.

23. Commitments

Operating lease commitments

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

	2009 €'000	2008 €'000
Within 1 year	**213**	192
Between 2 and 5 years	**383**	520
	596	712

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

24. 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:

	2009	2008
	€'000	€'000
Bank balances held with related parties	**2,514**	3,200
Bank interest received from related parties	**116**	60
Services rendered by related parties	**12**	-
Purchase of goods from related parties	**46**	145

Year end balances owed by related parties, arising principally from the above transactions are disclosed in notes 9 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 20.

25. Statutory information

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

Independent auditor's report

To the Shareholders of MaltaPost p.l.c.

Report on the Financial Statements

We have audited the financial statements of MaltaPost p.l.c. on pages 9 to 32 which comprise the statement of financial position as at 30 September 2009 and the income statement, statement of changes in equity and statement of cash flows 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 (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the statement of Directors' responsibilities on page 2, 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.

Opinion
In our opinion the financial statements

- give a true and fair view of the financial position of the Company as at 30 September 2009, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

Independent auditor's report - continued

Report on Corporate Governance - continued

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

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

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

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Information. Our responsibilities do not extend to any other information.

Report on Other Legal and Regulatory Requirements

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the Directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- Under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

PRICEWATERHOUSECOOPERS

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Valletta VLT 1174
Malta

Simon Flynn
Partner

21 January 2010