MALTAPOST plc

Annual Report and Financial Statements
30 September 2007

Company Registration Number: C22796

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2007.

Principal activities

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

Review of business

The company's turnover increased by 9.3% (2006: increase of 0.3%) when compared to the same period in 2006, while the company's costs also increased, by 1.6% (2005: decrease of 0.2%).

As in last year, the increase in turnover was mainly due to the increase from both inbound and outbound foreign mail revenue, with revenue from inbound mail increasing partly as result of a bonus received for reaching internationally quality of service targets.

In addition increased revenue protection measures continued resulting in higher revenues, while volume increases in bulk commercial mail were also registered. Furthermore, this year benefited from the effect of the 1c increase of the local tariff for the full period, which reflects itself in the results of this product stream. Other areas of increased revenue were from inbound parcels and bill collection. However this growth in revenue was partly offset by a decrease in philately sales.

Operating costs increased by 2.5%, mainly due to production and other costs directly related to revenue, whereas both salaries and overheads decreased by 2.4% and 8% respectively as a direct result of the restructuring of the operational manpower and other administrative cost savings. A Collective Agreement with the staff's trade union, the UHM, for the period up to 2010 was also concluded.

The above factors resulted in the company registering a profit before tax of Lm714,176. The directors are confident that the current level of business will be sustained in the foreseeable future.

During September 2007, Red Box Limited, the fully owned subsidiary of Lombard Bank Malta Limited acquired a further 25% shareholding in Maltapost plc from Malta Government Investment Limited, thus making it the majority shareholder with a total 60% of the shares. It is the intention of the Government of Malta to sell its remaining 40% shareholding to the public through an IPO in 2008. Thereafter the company will be listed at the Malta Stock Exchange where its shares will be traded.

Results and dividends

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

Directors' report - continued

Directors

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

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

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

Auditors

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

On behalf of the board

Joseph Said
Chairman

David Stellini
Director

Registered office
305 Qormi Road
Marsa
Malta

23 November 2007

Statement of directors' responsibilities

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

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

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- 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.

Independent auditor's report

To the Shareholders of Maltapost plc

We have audited the financial statements of Maltapost plc on pages 5 to 25 which comprise the balance sheet as at 30 September 2007 and the profit and loss account, 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 and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 3, 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

23 November 2007

Profit and loss account

	Notes	Year ended 30 September 2007 Lm	2006 Lm
Turnover	2	**7,946,303**	7,267,481
Cost of sales	3	**(6,089,884)**	(5,941,868)
Gross profit		**1,856,419**	1,325,613
Administrative expenses	3	**(1,149,431)**	(1,180,253)
Pension obligation	4	**(82,669)**	8,329
Other income		**8,798**	709
Operating profit		**633,117**	154,398
Interest receivable		**81,059**	50,750
Profit before income tax		**714,176**	205,148
Tax expense	6	**(245,709)**	(32,201)
Profit for the financial year		**468,467**	172,947

Balance sheet

	Notes	As at 30 September 2007 Lm	2006 Lm
ASSETS			
Fixed assets			
Tangible assets			
Property, plant and equipment	8	**1,173,216**	1,247,320
Intangible asset	9	**185,177**	218,345
Financial assets			
Available-for-sale investments	10	**1,534,656**	1,073,379
Total fixed assets		**2,893,049**	2,539,044
Non-current assets			
Deferred taxation	13	**63,584**	19,597
Total non-current assets		**2,956,633**	2,558,641
Current assets			
Stocks	11	**244,549**	263,639
Debtors	12	**1,838,312**	1,634,688
Cash at bank and in hand		**3,201,733**	1,931,848
Total current assets		**5,284,594**	3,830,175
Total assets		**8,241,227**	6,388,816
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	16	**2,800,000**	2,800,000
Other reserves	17	**181,937**	267,830
Profit and loss account		**647,528**	179,061
Total equity		**3,629,465**	3,246,891
Provision for liabilities and charges			
Pension obligation	15	**745,008**	621,079
Total provision for liabilities and charges		**745,008**	621,079
Creditors: amounts falling due within one year			
Trade and other creditors	14	**3,674,771**	2,459,400
Current taxation		**191,983**	61,446
Total current liabilities		**3,866,754**	2,520,846
Total equity and liabilities		**8,241,227**	6,388,816

The financial statements on pages 5 to 25 were authorised for issue by the board on 23 November 2007 and were signed on its behalf by:

Joseph Said
Chairman

David Stellini
Director

Statement of changes in equity

	Note	Called up issued share capital Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 October 2005		2,800,000	267,789	6,114	3,073,903
Fair value gain on available-for-sale investments	10	-	41	-	41
Profit for the financial year		-	-	172,947	172,947
Balance at 30 September 2006		2,800,000	267,830	179,061	3,246,891
Balance at 1 October 2006		2,800,000	267,830	179,061	3,246,891
Fair value loss on available-for-sale investments	10	-	(85,893)	-	(85,893)
Profit for the financial year		-	-	468,467	468,467
Balance at 30 September 2007		**2,800,000**	**181,937**	**647,528**	**3,629,465**

Cash flow statement

	Notes	**2007 Lm**	2006 Lm
		Year ended 30 September	
Operating activities			
Cash generated from operations	18	**2,145,081**	563,005
Interest received		**122,319**	87,909
Tax paid		**(159,159)**	(66,378)
Net cash generated from operating activities		**2,108,241**	584,536
Investing activities			
Purchase of available-for-sale investments	10	**(548,370)**	(592,429)
Purchase of property, plant and equipment	8	**(291,186)**	(232,301)
Disposal of available-for-sale investments	10	**1,200**	-
Net cash used in investing activities		**(838,356)**	(824,730)
Movement in cash and cash equivalents		**1,269,885**	(240,194)
Cash and cash equivalents at beginning of year		**1,931,848**	2,172,042
Cash and cash equivalents at end of year	19	**3,201,733**	1,931,848

Accounting policies

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

1. Basis of preparation

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

The preparation of financial statements in conformity with IFRS 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 2007

In 2007, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning after 1 October 2006. The adoption of these revisions to the requirements of IFRS's 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 January 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.

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 turnover. 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. In the case of services rendered to postal administrations in countries subject to severe exchange control restrictions and undue delays in settlement, revenue is not recognised until the company is in a position to ensure that the economic benefits associated with the transaction will flow to it, which is often upon or shortly before actual receipt.

(b) Interest income is recognised as it accrues on a time proportion basis using the effective interest method, unless collectibility 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'). These financial statements are presented in Maltese Lira, which is the company's functional and presentation currency.

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 profit and loss account.

4. Borrowing costs

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

5. 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.

6. Investments - Available-for-sale

The company's available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. 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. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities. 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.

7. 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 are charged to the profit and loss account 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 each balance sheet date.

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.

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 8).

8. 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.

8. Impairment of assets – continued

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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.

9. Leased assets

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

10. Stocks

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

11. Trade debtors

Trade debtors 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 debtors 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. 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 profit and loss account.

12. Pension obligations

The company operates a defined benefit pension plan.

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

13. Deferred taxation

Deferred taxation 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.

14. 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.

15. Cash and cash equivalents

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

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. Turnover

Turnover is analysed as follows:

	2007	2006
	Lm	Lm
By activity		
Stamps, parcel post and postal stationery including income from foreign inbound mail	**6,815,533**	6,010,402
Philatelic sales	**254,545**	413,860
Other	**876,225**	843,219
	7,946,303	7,267,481

	2007	2006
By geographical segments	**Lm**	Lm
Local	**7,062,386**	6,465,905
International	**883,917**	801,576
	7,946,303	7,267,481

3. Expenses by nature

	2007	2006
	Lm	Lm
Staff costs (Note 5)	**4,201,967**	4,304,655
Depreciation (Note 8)	**365,290**	340,296
Foreign outbound mail	**947,879**	586,557
Rent	**137,191**	166,509
Repairs and maintenance	**177,180**	78,668
Operating licence fee	**68,726**	76,806
Other expenses	**1,341,082**	1,568,630
Total cost of sales and administrative expenses	**7,239,315**	7,122,121

Auditors' remuneration for the current year amounted to Lm6,850 (2006: Lm6,695).

4. Pension obligation

The pension obligation has arisen due to the option taken up by ex-Government employees to become full time employees of the company. Upon exercising this option, certain of these employees continued to be entitled to pension rights which go beyond the National Insurance Scheme. The difference between the cost of pensions payable at the time of an employee's expected retirement from Maltapost plc and that cost of the pension computed at the time of that employee's termination of service with the Government, will be borne by Maltapost plc (Note 15), as long as the said employees are employed with Maltapost plc up to their retirement date.

5. Staff costs

	2007	2006
	Lm	Lm
Wages and salaries	**3,857,911**	3,953,409
Social security costs	**324,369**	329,918
Staff costs recharged by related party	**19,687**	21,328
	4,201,967	4,304,655

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

	2007	2006
Direct	**572**	558
Administration	**39**	76
	611	634

6. Tax expense

	2007	2006
	Lm	Lm
Current tax	**289,696**	103,774
Deferred tax credit (Note 13)	**(44,164)**	(20,731)
Over provision of current tax in previous years	**-**	(29,893)
Under/(over) provision of deferred tax in previous years (Note 13)	**177**	(20,949)
Tax expense	**245,709**	32,201

6. **Tax expense** - continued

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:

	2007	2006
	Lm	Lm
Profit before income tax	**714,176**	205,148
Tax at 35%	**249,961**	71,802
Tax effect of:		
Non-temporary differences	**20,035**	29,348
Investment income taxed at different rates of tax	**(24,464)**	(18,107)
Under/(over) provision in previous years	**177**	(50,842)
Tax expense	**245,710**	32,201

7. **Directors' emoluments**

	2007	2006
	Lm	Lm
Fees	**10,328**	8,250

The company has paid insurance premia of Lm1,500 (2006: Lm1,980) during the year, in respect of professional indemnity in favour of its directors.

8. Property, plant and equipment

	Improvements to premises Lm	Furniture and fittings Lm	Equipment Lm	Total Lm
At 1 October 2005				
Cost	947,081	484,395	919,343	2,350,819
Accumulated depreciation	(284,561)	(199,817)	(511,126)	(995,504)
Net book amount	662,520	284,578	408,217	1,355,315
Year ended 30 September 2006				
Opening net book amount	662,520	284,578	408,217	1,355,315
Additions	50,668	80,352	101,281	232,301
Depreciation charge	(93,893)	(65,143)	(181,260)	(340,296)
Closing net book amount	619,295	299,787	328,238	1,247,320
At 30 September 2006				
Cost	997,749	564,747	1,020,624	2,583,120
Accumulated depreciation	(378,454)	(264,960)	(692,386)	(1,335,800)
Net book amount	619,295	299,787	328,238	1,247,320
Year ended 30 September 2007				
Opening net book amount	619,295	299,787	328,238	1,247,320
Additions	55,522	173,149	62,515	291,186
Depreciation charge	(103,275)	(89,025)	(172,990)	(365,290)
Closing net book amount	**571,542**	**383,911**	**217,763**	**1,173,216**
At 30 September 2007				
Cost	1,053,271	737,896	1,083,139	2,874,306
Accumulated depreciation	(481,729)	(353,985)	(865,376)	(1,701,090)
Net book amount	**571,542**	**383,911**	**217,763**	**1,173,216**

9. Intangible asset

	Postal licence Lm
At 1 October 2005	
Cost	497,524
Accumulated amortisation	(246,011)
Net book amount	251,513
Year ended 30 September 2006	
Opening net book amount	251,513
Amortisation charge	(33,168)
Closing net book amount	218,345
At 30 September 2006	
Cost	497,524
Accumulated amortisation	(279,179)
Net book amount	218,345
Year ended 30 September 2007	
Opening net book amount	218,345
Amortisation charge	(33,168)
Closing net book amount	**185,177**
At 30 September 2007	
Cost	497,524
Accumulated amortisation	(312,347)
Net book amount	**185,177**

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.

10. Available-for-sale investments

	2007 Lm	2006 Lm
Year ended 30 September		
Opening net book amount	**1,073,379**	480,909
Additions	**548,370**	592,429
Disposals	**(1,200)**	-
Net fair value (loss)/gain (Note 17)	**(85,893)**	41
Closing net book amount	**1,534,656**	1,073,379
At 30 September		
Cost	**1,597,719**	1,050,549
Accumulated fair value (losses)/gains	**(63,063)**	22,830
Net book amount	**1,534,656**	1,073,379

Available-for-sale investments consist of debt securities listed on the Malta Stock Exchange. The cost weighted average effective interest rate as at 30 September 2007 was 5.10% (2006: 5.23%). These debt securities are subject to fixed interest rates ranging from 4.60% to 6.60% and their maturity, is as follows:

	2007 Lm	2006 Lm
Between 2 and 5 years	**155,795**	164,660
After more than 5 years	**1,378,861**	908,719
	1,534,656	1,073,379

11. Stocks

	2007 Lm	2006 Lm
Stamps and postal stationery	**113,038**	155,721
Stocks for resale	**82,983**	64,015
Other stock items	**48,528**	43,903
	244,549	263,639

Stock write downs amounted to LmNil (2006: Lm27,712).

12. Debtors

	2007 Lm	2006 Lm
Trade debtors – gross	**907,757**	753,361
Provision for impairment of debtors	**(13,662)**	(8,299)
Trade debtors – net	**894,095**	745,062
Amounts due by related parties	**788,480**	710,255
Other debtors	**4,243**	20,060
Indirect taxation recoverable	**3,351**	-
Prepayments and accrued income	**148,143**	159,311
	1,838,312	1,634,688

13. Deferred taxation

	2007 Lm	2006 Lm
At beginning of year	**(19,597)**	22,083
Credit to profit and loss account (Note 6)	**(44,164)**	(20,731)
Under/(over) provision of deferred tax in previous years (Note 6)	**177**	(20,949)
At end of year	**(63,584)**	(19,597)

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

The balance at 30 September represents:

	2007 Lm	2006 Lm
Temporary differences on property, plant and equipment	**(58,803)**	(16,693)
Temporary differences on provisions	**(4,781)**	(2,904)
At end of year	**(63,584)**	(19,597)

14. Trade and other creditors

	2007	2006
	Lm	Lm
Amounts falling due within one year		
Trade creditors	**850,937**	417,252
Amounts owed to related parties	**320,290**	336,320
Amounts collected on behalf of third parties	**1,674,121**	647,796
Other creditors	**24,429**	8,792
Indirect taxes and social security	**81,241**	107,593
Unearned revenue	**62,608**	65,685
Accruals and deferred income	**661,145**	875,962
	3,674,771	2,459,400

15. Pension obligation

	2007	2006
	Lm	Lm
At year-end	**745,008**	621,079

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

The amount recognised in the balance sheet is as follows:

	2007	2006
	Lm	Lm
Present value of unfunded obligations	**1,019,629**	879,285
Fair value of obligations to be reimbursed by Government	**(274,621)**	(258,206)
Present value of unfunded obligations	**745,008**	621,079

The amount recognised in the income statement is as follows:

	2007	2006
	Lm	Lm
Interest	**(44,097)**	12,237
Net actuarial losses recognised during the year	**(38,572)**	(3,908)
Total amount (charged)/credited to income	**(82,669)**	8,329

15. Pension Obligation – continued

Made up of:

	2007 Lm	2006 Lm
Movement in present value of unfunded obligations	**(123,929)**	(28,830)
Interest received	**41,260**	37,159
Total amount (charged)/credited to income	**(82,669)**	8,329

In computing the pension obligation, the company used a discount rate of 5.1% (2006: 6.6%), whereas the future salary increases were based on inflation rates and past salary increases.

16. Share capital

	2007 Lm	2006 Lm
Authorised		
5,000,000 ordinary shares of Lm1 each	**5,000,000**	5,000,000
Issued and fully paid up		
1,820,000 A ordinary shares of Lm1 each	**1,820,000**	1,820,000
980,000 B ordinary shares of Lm1 each	**980,000**	980,000
	2,800,000	2,800,000

17. Other reserves

	Fair value reserve Lm	Share premium Lm	Total Lm
At 30 September 2006			
At beginning of year	22,789	245,000	267,789
Fair value gain	41	-	41
At end of year	22,830	245,000	267,830
At 30 September 2007			
At beginning of year	22,830	245,000	267,830
Fair value loss (Note 10)	(85,893)	-	(85,893)
At end of year	**(63,063)**	**245,000**	**181,937**

18. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2007 Lm	2006 Lm
Operating profit	**633,117**	154,398
Adjustments for:		
Depreciation on property, plant and equipment (Note 8)	**365,290**	340,296
Amortisation of intangible asset (Note 9)	**33,168**	33,168
Increase in provision for impairment of debtors (Note 12)	**5,363**	8,299
Provision for pension obligations (Note 15)	**82,669**	(8,329)
Changes in working capital:		
Debtors	**(208,987)**	61,532
Stocks	**19,090**	(27,500)
Creditors	**1,215,371**	1,141
Cash generated from operations	**2,145,081**	563,005

19. Cash and cash equivalents

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

	2007 Lm	2006 Lm
Cash at bank and in hand	**3,201,733**	1,931,848

20. Commitments

Operating lease commitments

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

	2007 Lm	2006 Lm
Within 1 year	**84,857**	26,622
Between 2 and 5 years	**313,002**	75,000
After 5 years	**18,750**	41,667
	416,609	143,289

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.

21. Related party transactions

Government, all entities that are Government controlled and those which fall within the Government administration structure, are considered by the directors to be related parties.

Turnover includes sales of stamps to these entities made directly or indirectly by the company in the normal course of business.

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

	2007	2006
	Lm	Lm
Commission from related parties	**231,008**	315,225
Provision for pension obligation (Note 4)	**(82,669)**	8,329
Services rendered by related parties	**30,000**	30,000
Purchase of goods from related parties	-	57,011

Year end balances owed by or to related parties, arising principally from the above transactions are disclosed in notes 12, 14 and 15 to these financial statements respectively.

Key management personnel comprises the board directors of the company. Total fees paid to the directors have been disclosed in note 7.

Recharges of staff costs by related parties are disclosed in note 5.

22. Financial instruments

Credit risk

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

Fair values

At 30 September 2007 and 2006 the carrying amounts of cash at bank, debtors, creditors and accrued expenses approximated their fair values.

Foreign exchange risk

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

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

23. Statutory information

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