MaltaPost p.l.c.

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ANNUAL REPORT 2018

Contents

Chairman's statement to the members

MaltaPost delivered a reasonable performance during the financial year ending September 2018. It registered a pre-tax profit of €2.6 million, which represents a 14% decrease over the previous financial year. Earnings per Share stood at €0.05 per Nom . 0.25c share.

A final net dividend of €0.04 per nominal 25 cent share, payable in cash, is being proposed for approval by the shareholders at the Annual General Meeting.

Unfortunately the unrelenting decline in Letter Mail volumes together with postal rates that have remained static for years have not allowed the Company to produce a set of results that reflect a more encouragingly fair return on investment.

Shareholders' Funds now stand at €26.4 million, enabling the Company to continue to implement its investment programme towards enhancing existing services while also launching and developing new lines of business. Indeed, we cannot but reiterate our commitment to diversification that remains essential to counter the decline in Letter Mail volumes. Concurrently, we continue to strengthen our retail branch network, both in terms of improving customer experience as well as expanding geographical representation while also widening the spread of service offerings including financial services, where we continue to see potential.

We fully recognise and respect our responsibilities towards all the community. The growth of eCommerce parcel traffic has continued at an impressive pace, testing our infrastructure, operations and processes. We remain focused and resolved to facilitate these significantly increased volumes while meeting high customer service expectations. Indeed, we are determined to remain the leading national postal operator.

While we continue to adhere to the Universal Service Obligation by providing comprehensive and efficient postal services at fair rates. These rates however need to be kept in line with today's realities – not least the highly competitive labour market - as the continuous decline in Letter Mail volumes and the increasing related costs are significant and unsustainable unless the Company be allowed to increase its rates and not remain fossilized in a rate structure that is grossly unrealistic.

While MaltaPost strives to improve operational efficiency and manage costs, the adoption of a sensibly revised tariff structure is essential given that this industry is labour intensive and necessitates an extensive delivery and retail network to sustain it. In this regard we are working closely with the Regulator so to update the rate structure early in 2019.

The Company is well equipped with human, technical and financial resources to focus on further improvement in its services and processes, as well as creating diversification initiatives.

Recognition of the importance of our economic and social role underpins our resolve to remain the trusted postal and logistics provider of a range of efficient and affordable quality services. We shall not relent in endeavours to retain the confidence and trust of our customers and to deliver a fair return to our shareholders while providing a secure and fulfilling workplace for our staff complement.

Postal service operators across the world are also adapting to the changing market environment. I must emphasise that your Board is well aware of this evolving shift, which motivates us even more to identify opportunities for enhancement of our services as well as to seek new ventures and markets that would allow us to maximise our existing infrastructure and resources.

Considering the various challenges we faced this year we believe that the financial performance, although not ideal, was a reasonably satisfactory one. In this regard I thank our management team and all the staff for their commitment and loyalty. Words of appreciation are also due to my fellow Directors for their support and valued contribution throughout the year. I also thank our customers for loyalty, and you, the Company's shareholders, for your continued expression of confidence and trust.

Your Board remains confident that MaltaPost has a bright future on the basis that all parties remain committed to ensuring that the Company is at all times abreast of industry trends, nimble to grasp investment opportunities and sensitive to customers' expectations.

Joseph Said
Chairman

Chief Executive Officer's review of operations

Financial year ending 30th September 2018 was a challenging year for MaltaPost. The Local Tariff for the delivery of Letter Mail has remained unchanged for the last five years as year upon year Letter Mail volumes decline while related expenses continue to rise.

It is within this context that MaltaPost recorded a reasonable performance for the financial year under review. Profit before Tax decreased by 14% to €2.6 million when compared to last year's €3.1 million.

Total Revenue grew by 4.7% to €40.2 million. Postal Revenue represented 87.8% of this figure while the balance consisted of non-postal services such as document management, bill collection, sale of merchandise and financial services.

In spite of the year-on-year decline in basic Letter Mail volumes this sector remains our largest, demanding the involvement of most of our workforce. The continuous volume decline in this segment coupled with the challenges to recruit and retain staff contributed to an increasing cost of delivery rendering our Universal Service Obligation unsustainably onerous – more so given that the number of delivery points continues to rise as the population and business activity increase and the demographics of our country change.

Registered mail activity and that of international parcels and small packets rose, as did that in document management services.

Total expenses rose by 6.5% to €37.7 million as a result of increased staff and international mail service costs.

OPERATIONAL PERFORMANCE

Efficiency improvements continued on various fronts. As we seek to implement improvements both in our work processes as well as in terms of cost control, these also need to be coupled with fair and reasonable remuneration. The postal tariffs in Malta cannot continue to be by far the lowest in Europe.

As one of Malta's larger employers, with a team of circa 810 persons, a flexible work force remains a key characteristic of our Group as we continue to invest in our staff through targeted development programmes.

PROJECTS AND NEW SERVICES

The programme to extend our reach and upgrade existing Post Offices continued. A new Post Office in Zurrieq opened for business in May 2018 while premises to replace the existing Post Office in Sliema were acquired as we plan to open a new outlet in Marsascala.

ATMs were installed in our outlets in Rabat and Victoria Gozo.

Other new services launched included the PostaHomeLoan provided by Lombard Bank and various new bill collection services.

As consumers and businesses leverage on a global market to fulfil their procurement requirements, we continued to enhance our eCommerce customers' experience by further investment in alternative delivery systems.

So as to enhance delivery options we expanded our EasiPik parcel locker network to 16 locations in Malta and Gozo. This service is now available free of charge to all our clients.

Our SendOn service was extended to include a standard truck service from Sicily with the added benefit that items purchased may be picked up directly from the retail outlets there and delivered to our customers in Malta.

We have also customised our services for the local eCommerce merchant community through the eSeller service - an online tool that facilitates logistics for established businesses but is also a great enabler for start-ups.

Through the combination of these services, we provide an innovative international logistics solution, allowing eCommerce users to purchase and sell any items globally.

In our effort to reduce our carbon footprint, while improving our delivery capabilities, we have expanded our electric vehicles project to include a fleet of fourteen vehicles.

CORPORATE SOCIAL RESPONSIBILITY

During 2018, the Company supported the Malta Community Chest Fund, Id-Dar tal-Providenza, Puttinu Cares and other social and cultural activities.

We also continue to assist in the running of the Malta Postal Museum, thus safeguarding Malta's postal heritage for the benefit of future generations.

OUTLOOK

It is vital for MaltaPost to maintain a high quality of service, manage costs, while being adequately compensated. To this effect, we are in discussions with the Malta Communications Authority to adopt a revised pricing structure that reflects today's realities.

The existing tariff for the Domestic Single Piece and Bulk Mail, which came into effect well over 5 years ago is no longer financially sustainable and needs to be revised. In addition, we continue to supplement our core business with new revenue generating services.

The proposals submitted to date to the Malta Communications Authority primarily seek to address the increasing cost of our Universal Service Obligation compounded by the year-on-year reduction in domestic Letter Mail volumes. Such loss-making obligations place an unjustified burden on our financial results.

Since the last tariff revision in 2012, our operational costs have increased significantly. We also face daily challenges to recruit and retain postal operators within a full employment labour market. In addition, we need to invest in a new generation of delivery vehicles as a consequence of the ever-increasing volumetric-weights that must be delivered by our staff.

It is within this context that a price revision of the Domestic Mail tariffs is now a matter of urgency. Despite any price revision agreed to in the future, the tariffs of mail services in Malta will remain the lowest in the European region. A sensible revised tariff structure should help mitigate the financial burden that we are being made to carry through the Universal Service Obligation while also ensuring that the postal service in Malta continues to be of a standard not inferior to other EU countries and one that meets our customers' expectations, though without undermining the Company's profitability.

We also have a responsibility to manage the other sectors of our business. We are confident that the continued diversification into logistics, document management and financial services while maintaining a core national and trans-national letter mail service bodes well for the future and shall continue to provide a fair return on investment to shareholders.

I thank all Group staff members for their hard work and support throughout this challenging year while we focus on keeping customers at the forefront of everything we do.

Our result was backed by the insight and advice of the Chairman and Board of Directors. Finally, I extend my thanks to you shareholders for your trust in our organization throughout the years. Together we can look forward to a better future.

Joseph Gafa'
Chief Executive Officer

Directors' report
For the year ended 30 September 2018

The Directors present their annual report and the consolidated audited financial statements of MaltaPost p.l.c. for the year ended 30 September 2018.

PRINCIPAL ACTIVITIES

The MaltaPost Group comprises MaltaPost p.l.c. (the Company) and its subsidiary company, Tanseana Limited (Tanseana).

MaltaPost p.l.c. was registered in 1998 and listed on the Malta Stock Exchange (MSE) in 2008. The Company is a public limited liability company under the provisions of the Companies Act (Cap. 386).

The Company is Malta's leading postal services company, being the sole licensed Universal Service Provider of postal service on the Maltese Islands in terms of the Postal Services Act (Chapter 254 of the Laws of Malta) and under the terms of the Universal Postal Union Convention and Constitution on behalf of the Government of Malta. It is regulated by the Malta Communications Authority. The Company holds a network of 40 Post Offices and 31 Sub-Post Offices around Malta and Gozo providing an extensive range of postal and financial services.

Tanseana Limited, a company wholly owned by MaltaPost p.l.c., was registered and commenced operations in 2016. The company was established to provide document management services and to carry on such services which include, but are not restricted to, scanning, printing, shredding, storage and retrieval of digital and/or physical documents.

REVIEW OF BUSINESS

Profit before Tax decreased by 14.0% to €2.6 million when compared to last year's €3.1 million, resulting in an Earnings per Share of €0.05.

Postal revenue represented circa 87.8% of total revenue which grew by 4.7% to €40.2 million. The balance is derived from non-postal services such as document management, bill collection and financial services.

Growth was derived mainly from international mail services, registered mail, parcels and packets business. Revenue from document management also registered a healthy increase. However, this increase was partially offset by the continued decline in letter mail volumes. Total expenses rose by 6.5% to €37.7 million mainly because of increased staff costs and direct costs related to international mail services, higher cross-border charges and general inflationary increases.

Remuneration policy

Details of total employee benefit expense for the year and the average number of persons employed by the Company, including part-timers, during the year is included in Note 19 to the financial statements.

Information on the Company's remuneration policy and practices is disclosed in the Remuneration Report within the Annual Report on page 20.

Recruitment and diversity policy

The Company is aware that a professional approach to the appointment of members of the Board of Directors and staff within the Company helps it to attract those individuals having the necessary skills and attributes compatible with achieving its overall objectives.

Thus, the Company ensures that appointments at all levels are based on each individual's knowledge, skills, expertise and merit, as required by Maltese legislation and in line with best practice.

Directors' report
For the year ended 30 September 2018

Bearing its objectives in mind, the Company acknowledges the benefit of appointing directors with diverse skills and expertise that allow the Board to create value for shareholders by ensuring that the specific risks pursued as well as risks that are intrinsic to its business are appropriately managed and mitigated within the Board's appetite. The Company will continue to promote this diversity by recruiting the ideal individual for the vacant position, regardless of the individual's gender, race, family, disability, sexual orientation, identity or preference.

Taking cognisance of the Company's size and business model, the Board considers that as a policy it endeavours to have a varied Board, particularly in terms of diverse educational and professional backgrounds as well as extensive and specialised experience. The Board is confident that for this reason and in light of the fact that the Company is controlled by Lombard Bank Malta p.l.c., it benefits from a satisfactory diversity of views and expertise which allows for a good understanding of current affairs, the environment in which the Company operates and long-term risks and opportunities related to the Company's business.

The Board will consider formalising its diversity policy and remains committed to achieving further diversity among its members particularly in terms of number, age, gender, experience, educational and professional backgrounds.

The Company is an equal opportunities employer and this has been certified by the local authorities through the Equality Certification Mark. The Company's policy is to:

- eliminate any forms of discrimination;
- deal with any incidents of harassment and inappropriate behaviour;
- promote equal opportunities for all employees;
- create an environment in which the individual characteristics of all employees are recognised and valued.

All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms with regard to training, career development and promotion. The employment of people with disabilities exceeds the obligation of 2% set under the Persons with Disability (Employment) Act, 1969. The Company is committed to ensure the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Occupational Health and Safety Authority Act 2000. Conscious of the fact that legal obligations are the minimum acceptable standard, the Company is striving for excellence in this area and is continuing to increase awareness among employees and contractors.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

Traditional mail evolution

The decline in domestic demand for traditional mail is primarily due to the increase of electronic means of communication. This continues to present the Company with a growing risk of not being able to continue its mission of providing the current nationwide service in line with its Universal Service Obligation, while maintaining reasonable rates and remaining largely self-supporting through postal revenues.

Intensifying competition in international business

International business is exposed to an increasingly competitive context denoted by low barriers to entry, the attractiveness of eCommerce growth and competitors that are unburdened by regulatory and legacy costs and obligations. Furthermore, these revenue streams are dependent on the favourable economic conditions on which the Company has no control.

Inability to maintain staff resourcing in line with business needs

Our performance, operating results and future growth depend on our ability to attract and retain staff with the appropriate level of experience.

Failure to protect proprietary customer and staff information (Data Protection)

The Company holds and processes confidential data that may be subject to malicious or inadvertent unauthorised access/manipulation. The Company continues to work on lessening its vulnerability to this threat.

Business continuity disruption to operations

The risk that the Company might not have adequate protection or alternative modes of operation for those activities or business processes which if they were to be interrupted, might otherwise bring about a seriously damaging or potentially fatal loss.

Adverse legislative and/or regulatory repercussions

The Company needs to comply with a diverse set of laws and regulations. This is set to increase in-line with the Company's diversification initiatives in highly regulated industries. Failure to comply could translate in regulatory scrutiny, liabilities for both the Company and its Directors as well as reputational damage.

Financial risk management

The Company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Company's overall risk management, covering risk exposures for the subsidiary, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The Audit and Risk Committee has overall responsibility for the establishment and oversight of the Company's risk management framework. Accordingly, the Committee provides principles for overall risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. A detailed review of the risk management policies employed by the Company is included in Note 2 to the financial statements.

The Statement of Compliance with the Principle of Good Corporate Governance in this Annual Report, describes the non-financial key performance indicators relevant to the Group, including information relating to environmental and employee matters.

The Company aims to minimise the environmental impact of our business operations. Being environmental friendly will also assist in reducing costs. Such initiatives include the installation of solar panels and the use of electric vehicles.

Further information in respect of these matters is disclosed within the Directors' Report in the Annual Report and Financial Statements of the Company's parent, Lombard Bank Malta p.l.c.

RESULTS AND DIVIDENDS

The income statements are set out on page 35. The Directors recommend the payment of a final net dividend of €0.04 per share amounting to €1,506,189 (2017: €1,506,189).

CAPITAL

As at the Annual General Meeting of 9 February 2018, the Authorised Share Capital of the Company was fourteen million euro (€14,000,000) made up of fifty six million (56,000,000) ordinary shares of a nominal value of €0.25 each. The Issued and Fully Paid Up Share Capital was nine million, four hundred and thirteen thousand, six hundred and eighty euro (€9,413,680) made up of thirty seven million, six hundred and fifty four thousand, seven hundred and twenty (37,654,720) ordinary shares of a nominal value of €0.25 each, all of one class.

BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

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

Joseph Said (Chairman)
Aurelio Theuma
David P. Attard
Eugenio Farrugia
Paul Muscat (appointed 15 November 2017)
David Stellini (resigned 15 November 2017)
James Dunbar Cousin (appointed 27 February 2018)
Graham Fairclough (appointed 27 February 2018)

In accordance with the Company's Articles of Association, a member of the Company holding, or number of members, who between them hold, such number of equity securities having voting rights as may be sufficient to constitute one or more qualifying holdings, shall be entitled to appoint one (1) director for every qualifying holding held. Other members shall be entitled to participate and vote in an election of directors to take place once in every year at a general meeting of the Company. Unless appointed for a longer or shorter period, or unless they resign or are removed, directors, unless otherwise specified in the letter of their appointment, hold office for a period of one year. Notwithstanding the period for which a director has been appointed, on the lapse of such period a director will be eligible for re-appointment. An election of directors shall take place every year, if there are vacancies on the board which are not filled by the appointment of directors by the member holding, or number of members who between them hold, such number of equity securities having voting rights as may be sufficient to constitute one or more qualifying holdings. The composition of Officers and Senior Management is further shown in the section 'Company Information'. Further information is also given in the 'Statement of Compliance with the Principles of Good Corporate Governance'.

DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required by the Maltese Companies Act (Cap. 386) 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 controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). 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 2018 are included in the Annual Report 2018, 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 2018, 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.

GOING CONCERN BASIS

After making due enquiries, the Directors have a reasonable expectation, at the time of approving the financial statements, that the Company has 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.

LISTING RULES DISCLOSURES

In terms of the Listing Rule 5.64, the Directors are required to disclose the following information:

Amendments to the Memorandum and Articles of Association are effected in conformity with the provisions in the Companies Act (Cap. 386). Furthermore in terms of the Articles of Association of the Company:

(a) Directors may be authorised by the Company to issue shares subject to the provisions of the Memorandum and Articles of Association and the Companies Act (Cap. 386);

(b) Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they shall not approve;

(c) Directors may decline to recognise any instrument of transfer, unless accompanied by the certificate of the shares of which it relates, and/or such other evidence;

(d) no registration of transfer of shares shall be made and no new particulars shall be entered in the register of members when the register is closed for inspection;

(e) the Company may, from time to time, by extraordinary resolution reduce the share capital and any share premium account in any manner.

Currently there are no matters that require disclosures in relation to:

(a) holders of any securities with special rights;

(b) employee share schemes;

(c) restrictions on voting rights or relevant agreements thereto;

(d) agreements pertaining to the change in control of the Company;

(e) any agreements between the Company and its Directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

The exercise of any share buy back option by the Directors requires the passing of an extraordinary resolution.

The Company's capital structure, direct and indirect shareholding in the Company, in excess of 5% and the rules governing the changes to the Board members are contained in other parts of this Annual Report.

The only shareholder holding 5% or more of the Issued Share Capital of the Company is Redbox Limited which owned 71.5% as at 30 September 2018 and 8 November 2018.

AUDITORS

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

By order of the Board

Joseph Said	Aurelio Theuma
Chairman	Director

Registered office
305, Qormi Road,
Marsa, MTP 1001
Malta

17 December 2018

Statement of compliance with the principles of good corporate governance

For the year ended 30 September 2018

The Board of Directors of MaltaPost p.l.c. have carried out a review of the Company's compliance with the Code of Principles of Good Corporate Governance (the 'Principles') during the period under review, as specified in Appendix 5.1 to Chapter 5 of the Malta Financial Services Authority Listing Rules. The following report highlights the extent to which the Code has been adopted, as well as the reasons for any departure from the Code.

Although compliance with the Code is not mandatory, the Board of Directors of MaltaPost p.l.c. firmly believes that adoption of the Principles ensures the required standards of accountability, transparency and probity, all of which go to safeguard the very best interests of all the Company's stakeholders.

A. COMPLIANCE WITH THE CODE

PRINCIPLE 1: THE BOARD

The Board of Directors is composed of the Chairman and six (6) Directors, five (5) of whom are non-executive. Five (5) of the Directors are employed with the ultimate parent Company. While the Board of Directors is elected by the shareholders as stipulated in the Company's statute, the Chairman is elected by the Directors from amongst themselves during the first Board Meeting following the Annual General Meeting. Any Director (other than an alternate Director) may in writing appoint any person who is approved by the majority of the Directors, to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present.

The main responsibility of the Board is to set the strategic direction of the Company and to provide the necessary oversight to ensure adherence to the agreed strategies.

In so doing the Board delegates certain responsibilities to a number of Board committees, notably the Audit and Risk Committee and Remuneration Committee, details of which appear hereunder.

The Directors possess the necessary skills and competencies to enable them to discharge their responsibilities with integrity, honesty, prudence and professionalism.

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The post of Chairman and that of Chief Executive Officer are held by different individuals. The separation of roles is meant to differentiate between the role of the Chairman as the leader of the Board of Directors and that of the Chief Executive Officer who is responsible for the execution of the agreed strategies as well as the day-to-day management of the Company.

PRINCIPLE 3: COMPOSITION OF THE BOARD

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

	First appointment date
Joseph Said	18 August 2006
Aurelio Theuma	8 October 2007
David P. Attard	16 January 2015
Eugenio Farrugia	1 October 2016
Paul Muscat	15 November 2017
David Stellini (resigned 15 November 2017)	1 December 2004
James Dunbar Cousin	27 February 2018
Graham Fairclough	27 February 2018

Joseph Said is an Executive Director of the ultimate controlling shareholder, while David P. Attard, Graham Fairclough, Eugenio Farrugia and Aurelio Theuma are employees of the ultimate controlling shareholder. These relationships are not considered necessarily conducive to the creation of a conflict of interest such as to jeopardise exercise of these Directors' free judgement. James Dunbar Cousin, and Paul Muscat, are considered to be independent Directors of the Company and in determining independence or otherwise, the Board has taken into consideration the relevant Code provisions.

It is considered that the experience, skills and competencies of the members of the Board are sufficient to ensure the proper functioning of the Board.

In terms of Principle 3.4, all the Directors have confirmed in writing that they:

(a) maintain in all circumstances their independence of analysis, decision and action;

(b) do not seek or accept any unreasonable advantages that could be considered as compromising their independence;

(c) clearly express their opposition in the event that they find that a decision of the Board may harm the Company.

Taking cognisance of the Company's size and business model, the Board considers that as a policy it endeavours to have a varied board, particularly in terms of diverse educational and professional backgrounds as well as extensive and specialised experience. The Board is confident that for this reason and in light of the fact that the Company is controlled by Lombard Bank Malta p.l.c., it benefits from a satisfactory diversity of views and expertise which allows for a good understanding of current affairs, the environment in which the Company operates and long-term risks and opportunities related to the Company's business.

The Board will consider formalising its diversity policy and remains committed to achieving further diversity among its members particularly in terms of number, age, gender, experience, educational and professional backgrounds.

PRINCIPLE 4: RESPONSIBILITIES OF THE BOARD

The Board of Directors is responsible for the formulation of the agreed strategy as well as the monitoring of its implementation by management, within the confines of all the applicable rules and regulations.

In so doing, the Board is responsible for:

(a) devising the appropriate strategies of the Company with a view to maximising value;

(b) approving Business Plans which are consonant with approved strategies and monitoring the execution of such plans on a regular basis;

(c) approving Risk Management Plans which are appropriate to the business and monitoring the application of mitigating factors;

(d) ensuring that internal control systems are in place and function appropriately. Although the relative systems are designed to mitigate all the risks in accordance with best practice, they cannot completely eliminate the possibility of material error or fraud;

(e) appointing the Company's Executive Officers, monitoring their performance, approving their compensation as well as ensuring that succession plans are in place;

(f) putting in place a policy to ensure that the Company communicates effectively with shareholders, other stakeholders and the public generally;

(g) putting in place procedures to ensure that the Company and its employees maintain the highest standards of corporate conduct and ethical standards.

PRINCIPLE 5: BOARD MEETINGS

Eight (8) Board meetings were held during the period under review and attendance by Board members was as follows:

	Attended
Joseph Said	8
David P. Attard	8
James Dunbar Cousin (appointed 27 February 2018)	5 (out of 5)
Graham Fairclough (appointed 27 February 2018)	5 (out of 5)
Eugenio Farrugia	8
Paul Muscat (appointed 15 November 2017)	7 (out of 7)
David Stellini (resigned 15 November 2017)	1 (out of 1)
Aurelio Theuma	8

Both strategic and operational issues are featured in the agenda of Board meetings and the appropriate supporting papers are circulated to each Board member well ahead of the meeting to ensure adequate time for preparation for deliberation at Board meetings. All Board members are given the opportunity of expressing their opinion on all agenda items. Minutes of all Board meetings are prepared immediately after each meeting and circulated amongst all Board members. All the Directors dedicate the necessary attention and time to their duties as Directors of the Company.

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

While the training of management and staff is an on-going process, the Directors are regularly updated with all the relevant information which is considered necessary for the proper discharge of their duties and responsibilities. Furthermore, all Company Directors have direct access to the Company Secretary who is at their disposal and who ensures that the appropriate information flows are maintained at all times. Additionally, and in terms of the Company's statute, the Directors are entitled to seek independent professional advice on any aspect of their duties at the Company's expense.

On first joining the Board, each Director is provided with a dossier containing information pertaining to Director's duties and responsibilities together with relevant legislation and regulations, including the Malta Financial Services Authority Listing Rules.

PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

The Company Secretary arranges for a 'Board Effectiveness Questionnaire' to be completed by each Board member and the findings are analysed by him in liaison with the Chairman. The questionnaire focuses mainly upon the effectiveness of the Board during the period under review. An effectiveness questionnaire is also arranged for the Audit and Risk Committee.

PRINCIPLE 8: COMMITTEES

The following committees have been established by the Board of Directors, each having their own Terms of Reference with direct reporting lines to the Board.

AUDIT AND RISK COMMITTEE

The Listing Rules of the Malta Financial Services Authority provide for the establishment of an Audit and Risk Committee, the main functions of which include the monitoring of the financial reporting process, the soundness of the Company's internal control systems as well as the scrutiny and approval of related party transactions in order to ensure that the 'arm's length' principle is observed at all times. The management of the relationship of the external auditors with the Company also falls within the scope of the Audit and Risk Committee's Terms of Reference.

The Audit and Risk Committee was made up of three (3) Non-Executive Directors, viz Paul Muscat (Chairman) who was appointed on 7 February 2018 and replaced David Stellini, James Dunbar Cousin who was appointed on 16 March 2018, and replaced Eugenio Farrugia, together with Aurelio Theuma.

In terms of Listing Rule 5.118, James Dunbar Cousin and Paul Muscat, are considered by the Board to be independent given that they are free from any business, family or other relationship with the Company or its management in a manner that may create a conflict of interest such as to impair their judgement. The Company Secretary acts as secretary to the Audit and Risk Committee.

During the period under review the Audit and Risk Committee met eight (8) times. While the external auditors are invited to attend, the Chief Internal Audit Officer attends these meetings in terms of Listing Rule 5.131 and has a direct access to the Chairman of the Audit and Risk Committee at all times. It is within the discretion of the Audit and Risk Committee members to invite any other official of the Company to attend any Committee meeting as they deem fit.

REMUNERATION COMMITTEE

The report by the Remuneration Committee in terms of Code Provision 8.A.4 is presented on pages 20 and 21. The Chief Executive Officer attends the Remuneration Committee meetings when requested to do so and the Company Secretary acts as secretary to this Committee.

PRINCIPLES 9 AND 10: RELATION WITH SHAREHOLDERS AND WITH THE MARKET AND INSTITUTIONAL SHAREHOLDERS

The Company is cognisant of the importance of maintaining effective and on-going dialogue with its shareholders as well as the market generally. It does so by issuing company announcements and press releases from time to time on matters which are considered important and which may affect the Company. The announcement of the half-yearly results, as well as the annual results together with the interim Directors' statements are uploaded on the Company's website and that of the Malta Stock Exchange as are all the other company announcements issued.

The Company also communicates with its members through the Annual General Meeting during which shareholders are requested to consider the Annual Report and Accounts, the declaration of a dividend (if any), the election of Directors, Directors' remuneration, the appointment of external auditors and the Board's authorisation to set the auditors' fees. Extraordinary General Meetings are held as and when necessary in conformity with both the Company's statute as well as the Companies Act (Cap. 386).

All Directors attend the General Meetings and are available to answer questions if necessary.

A shareholder/s holding not less than 5% in nominal value of all the shares entitled to vote at the General Meeting may request the Company to include items on the agenda of a General Meeting, subject to certain conditions.

PRINCIPLE 11: CONFLICTS OF INTEREST

While Directors are aware of their duty and responsibility to act in the best interests of the Company at all times, policies and procedures are in place to ensure that Directors effectively manage any conflicts of interest, whether actual or potential, in the best interest of the Company.

Specifically, the Company's Memorandum and Articles of Association regulate the behaviour of a Director in the event of a potential conflict of interest.

Furthermore, the Company's Code of Conduct for Securities Transactions sets out the obligations of a Director when it comes to dealing in any of the Company's securities.

The Directors' interest in the Share Capital of the Company as at 30 September 2018 was as follows:

	Shares held
Eugenio Farrugia	522 Ordinary Shares
Aurelio Theuma	2,646 Ordinary Shares

Joseph Said, who is a Director of the Company, is also a director of the following companies, which as at 30 September 2018 had the following shareholding in the Company:

	Shares held
First Gemini p.l.c.	36,341 Ordinary Shares
Safaco Limited	44,745 Ordinary Shares

In addition, Joseph Said has a minority shareholding in Safaco Limited.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

Fully conscious of the responsibility towards the society in which it operates, MaltaPost p.l.c. not only encourages healthy and balanced life styles for its employees, but also seeks to promote environment friendly initiatives particularly those which reduce the Company's overall carbon footprint. Significant investment has been made in this area and the intention is to continue with this investment.

The Company also encourages and promotes philanthropic initiatives towards disadvantaged groups and the intention is to continue in this direction.

MaltaPost p.l.c., therefore, is not only committed to be in full compliance with its legal obligations in this regard, but go well beyond this in pursuit of its social obligations.

B. NON-COMPLIANCE WITH THE CODE

PRINCIPLE 4: RESPONSIBILITIES OF THE BOARD

Code Provision 4.2.7 provides for the development of a succession policy for the future composition of the Board. Given that it is the prerogative of the shareholders of MaltaPost p.l.c. to elect directors to represent them and this in accordance with the Company's Memorandum and Articles of Association, it has not been considered appropriate to develop a succession policy for the future composition of the Board. However, the recommendation to have a policy will be kept under review.

PRINCIPLE 8: NOMINATION COMMITTEE

This Principle provides for a Nomination Committee to cater for a formal and transparent procedure for the appointment of new directors to the Board. Such a committee has not been set up given that it is the prerogative of the shareholders of the Company, in accordance with the relative Memorandum and Articles of Association, to appoint directors to the Board.

The Articles of Association of the Company provide that at every General Meeting, seven (7) 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 holding 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) members 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 point five per cent (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.

PRINCIPLE 9: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET

Code Provision 9.3 provides for procedures to be in place to resolve conflicts between minority shareholders and controlling shareholders. The Memorandum and Articles of Association of the Company do not provide for a procedure to resolve such conflicts.

However, the Company maintains an open channel of communication with its shareholders through the Company Secretarial Office.

C. INTERNAL CONTROL

The Board of Directors have set up the required organisational structures in order to effectively manage and control the operational risks which the Company undertakes in its day to day operations. It is understood that whereas these risks may be mitigated by the adoption of various control systems, such risks cannot be completely eliminated. Therefore, reasonable and not absolute assurances can be given against material losses, error or fraud.

The more important structures which are in place to consolidate the internal control mechanisms are the Internal Audit Department, the Audit and Risk Committee as well as the Compliance and Risk Management functions.

The Company's system of internal control includes:

(a) the Company operates through an Executive Committee led by the Chief Executive Officer with clear reporting lines and delegation of authority. Through the Executive Committee the Company plans, executes, controls and monitors business operations in order to achieve the set objectives;

(b) the Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company policies and employee procedures are in place to detect, report and resolve any fraudulent activities or any infringement of the integrity of mail;

(c) the Executive Committee is responsible to identify and evaluate key risks applicable to areas of business. A member of this same Committee assists the Board of Directors to assess the different types of risks identified, to which the Company 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 the Company as well as its business;

(d) the Board, through the Audit and Risk Committee, receives periodic management reports on Risk Management and Compliance; and

(e) the Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against the Company's set targets.

Approved by the Board of Directors on 17 December 2018 and signed on its behalf by:

Joseph Said
Chairman

Aurelio Theuma
Director

MEMBERSHIP AND TERMS OF REFERENCE

The following Directors of MaltaPost p.l.c. make up the Remuneration Committee: Paul Muscat (Chairman) who was appointed on 11 December 2017 replacing David Stellini, who resigned on 15 November 2017, David Attard, Eugenio Farrugia and Aurelio Theuma. The Remuneration Committee is tasked with putting together a Remuneration Policy which ensures that MaltaPost p.l.c. attracts, retains and motivates the appropriate calibre of Directors, Senior Executives and Management in the formulation and execution of the Company's strategies and policies. Furthermore, the Remuneration Committee recommends remuneration packages for all Directors and Senior Management.

MEETINGS

During the financial year ended 30 September 2018 the Remuneration Committee met to discuss the following matters:
Contracts of employment for Chief Officers and Managers
Proposed Salaries and Discretionary Bonuses

REMUNERATION POLICY - DIRECTORS

The last Annual General Meeting approved the amount of sixty thousand euro (€60,000) as the aggregate amount by way of Directors' Remuneration.

None of the Directors has any service contracts with the Company, and none is entitled to share options, profit sharing, pension benefits or any other remuneration. It is confirmed that no other fees were payable to any of the Directors during the year under review.

Five (5) of the Directors are employees of the ultimate controlling shareholder of MaltaPost p.l.c.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the total emoluments received by Directors for the financial year 2017/2018 are specified below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€47,323	None	None	None

Directors' emoluments paid for financial year 2017/2018 were as follows:

Joseph Said	€ 15,740
David P. Attard	€ 5,808
James Dunbar Cousin	€ 4,173
Graham A. Fairclough	€ 4,173
Eugenio Farrugia	€ 5,808
Paul Muscat	€ 5,326
David Stellini	€ 487
Aurelio Theuma	€ 5,808
Total	€ 47,323

REMUNERATION POLICY - SENIOR EXECUTIVES

All references to 'Senior Executives' in this report refer specifically to the Chief Executive Officer and the Chief Officers of MaltaPost p.l.c.

It falls within the Terms of Reference of the Remuneration Committee to recommend to the Board of Directors the appropriate remuneration packages for Senior Executives. In so doing the Committee is mindful of the need to attract, retain and motivate Senior Executives with the qualities and attributes which enable them to discharge their obligations professionally and with utmost integrity. The Remuneration Committee also seeks to maintain a sense of fairness and consistency in its recommendations. In this connection it is to be mentioned that there were no material changes to the remuneration policy for Senior Executives during the financial year ended 30 September 2018.

The contracts of all Senior Officers specify their remuneration packages, none of which provide for profit sharing or share options, supplementary pensions or other pension benefits. All Senior Executives are on indefinite contracts of employment.

Annual salary increases may be awarded to Chief Officers but such increases are not directly related to performance. A discretionary annual bonus, however, is payable to the Chief Officers following an assessment of their performance during the previous financial year.

The Board of Directors and Chief Executive Officer agree upon pre-set quantitative and qualitative objectives for the Chief Executive Officer and a discretionary annual bonus is payable to him based on the attainment of these objectives. The Remuneration Committee considers the linkage between the fixed remuneration and the discretionary annual bonus to be appropriate.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the total emoluments received by Senior Executives during the financial year 2017/2018 are as detailed below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€374,176	€28,750	None	See below*

*Senior Executives are covered by a group life assurance scheme and are entitled to health insurance, communication expenses as well as the use of company car or car allowance.

Company information

VISION STATEMENT

To be recognised as Malta's leading Logistics Company whilst actively driving diversification and reform to sustain continuous growth. The Company shall be customer-focused, financially and commercially strong, whilst continuously adapting to change.

MISSION STATEMENT

To exceed customers' expectations by providing high quality, cost-effective services whilst ensuring that shareholder value is enhanced and the aspirations of staff are realised.

COMPANY REGISTRATION NUMBER: C22796

REGISTERED OFFICE: 305, Qormi Road, Marsa MTP 1001, Malta

(+356) 2122 4421 | (+356) 2122 6368 (Fax) | info@maltapost.com | www.maltapost.com

Registered shareholders with five per cent (5%) or more of the Share Capital of the Company:

	30 September 2018	8 November 2018
Redbox Limited	71.5%	71.5%

Company information

BOARD OF DIRECTORS
Joseph Said (Chairman)
David P. Attard
James Dunbar Cousin
Graham A. Fairclough
Eugenio Farrugia
Paul Muscat
Aurelio Theuma

COMPANY SECRETARY
Graham A. Fairclough

CORPORATE OFFICE AND INVESTORS RELATIONS
Antoinette Camilleri

CHIEF OFFICERS

Joseph Gafa`	Chief Executive Officer
Ronald Bonnici	Chief Human Resources Officer
Carmen Ellul	Chief Officer - Internal Audit
Ian Lucas	Chief Financial Officer
Adrian Vassallo	Chief Operating Officer
Ray Briffa	Consultant Retail Operations

HEADS OF DEPARTMENTS

Edwin Abdilla	Mail Services
Johan Attard	Finance - Management and Regulatory Accounts
Lara Bugeja	Malta Postal Museum Curator
Josef Camilleri	Marketing and Communications
Stefania Camilleri	Human Resources
Robert Cassar	Business Relations
Charles Cilia	Logistics and eCommerce Services
John Cremona	Support Services
Paul Curmi	Document Management Services
Albert Gouder	Retail Network
Darren Micallef	Finance - Financial Accounts
Joswill Micallef	Business Software Applications
Patrick Polidano	Quality Assurance
Kenneth Spiteri	Business Process Design
Joseph Zammit	Internal Audit

Independent auditor's report

To the Shareholders of MaltaPost p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- MaltaPost p.l.c.'s Group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the Group's and the Parent Company's financial position as at 30 September 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

MaltaPost p.l.c.'s financial statements, set out on pages 34 to 79 comprise:

- the Consolidated and Parent Company statements of financial position as at 30 September 2018;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

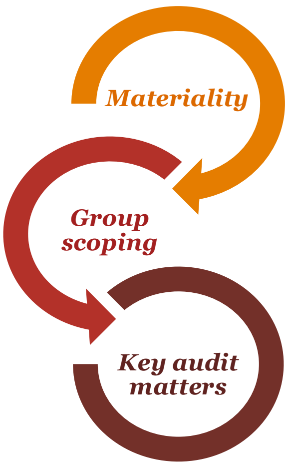
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiary are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281). The non-audit services that we have provided to the Parent Company and its subsidiary, during the period from 1 October 2017 to 30 September 2018, are disclosed in Note 18 to the financial statements.

Independent auditor's report - continued

To the Shareholders of MaltaPost p.l.c.

Our audit approach

Overview



Overall group materiality: €135,000 (2017: €150,000), which represents 5% of profit before tax.

- The Parent Company and its subsidiary are based in Malta, and the financial statements of these entities have been audited by our audit team.
- Our audit scope addresses 100% of Group revenues and Group profit before tax.

- Risk of fraud in revenue recognition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€135,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	*We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.*

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €13,500 as well as misstatements below that amount, that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
ISA 240 presumes that there is a risk of material misstatement due to fraud related to revenue recognition and requires the auditor to treat this assessed risk of material misstatement due to fraud as a significant risk, thus requiring special audit consideration. This comprises the risk that sales revenue is misstated due to fraud as individuals may have incentive to manipulate revenue, and hence results. The risk of fraud in revenue recognition entails the risk that sales revenue is not recognised in accordance with IAS 18 requirements, and that revenue is not completely or accurately reflected or that fictitious sales revenue is recorded or that the cut-off point at which risks and rewards are transferred is not correctly reflected in the financial statements. The Parent Company's revenue consists of revenue from retail sales, comprising sale of stamps, philatelic sales, sale of non-postal stationery and provision of non-postal services, and sales revenue comprises terminal dues, consisting of remuneration for processing and delivering post items received from other territories. Terminal dues are invoiced on a quarterly basis in arrears on the basis of volume data accumulated throughout the respective quarter. Accordingly the risk of fraud in revenue recognition in respect of terminal dues is principally attributable to the unbilled revenue at year end in respect of the last quarter of the financial year.	We confirmed our understanding and evaluation of the Parent Company's control processes and procedures in respect of revenue recognition, including IT and system controls. Specifically in respect of revenue from retail sales, we evaluated the relevant systems and the design of controls, and tested the operating effectiveness of automated and non-automated controls over the: • capture and recording of revenue transactions comprising products or services supplied to customers; • authorisation of price changes and updating this information within the operational retail system; and • calculation of amounts invoiced to customers. Accordingly we validated key controls including automated control procedures in respect of the operational retail system. We tailored our final audit plan based on the results of our assessment of the control environment and operating effectiveness of such controls. We utilised computer assisted audit techniques to recalculate aggregate revenue recognised by extracting independently volume data from the operational retail system and taking into account independently sourced or verified sales prices to address accuracy and existence. We also tested reconciliations between the operational retail and accounting systems to address completeness and cut-off. We have also carried out audit procedures, comprising validation of controls and tests of detail, in respect of cash counts and stock counts covering the retail sales business.

Key audit matter	How our audit addressed the key audit matter
Revenue from retail sales is attributable to a large volume of low value transactions handled through an operational retail system in an automated manner, whereby inventory items are updated with sales taking into account standing data in respect of unit prices. In this respect, the risk of fraud in revenue recognition is mainly in respect of the output of the operational retail system not being properly reflected within the accounting system. *Refer to Accounting policy 1.18 and Note 17 of the financial statements*	In respect of terminal dues, we have carried out tests of detail by recalculating revenue recognised during the year on the basis of volume data accumulated over time. We have validated volume data to third party documentation or documentation duly approved by third parties. We have also validated volume data by carrying out such tests as sequence checks and other data validation tests. We have validated terminal dues rates to contractual arrangements or other supporting documentation. We have also tested revenue recognised in respect of terminal dues within the accounting system to amounts invoiced and the subsequent receipt of payment. In respect of these key audit matters, we found no significant exceptions in our controls testing and no material misstatements were identified in our substantive testing.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a group finance function at its head office. Within the head office, supporting finance functions exist for each of the key business operating areas, and these report to the Group finance team as appropriate. All work was conducted by the same audit team in Malta.

The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Independent auditor's report - continued

To the Shareholders of MaltaPost p.l.c.

Other information

The Directors are responsible for the other information. The other information comprises the *Directors' report*, the *Chairman's statement* and the *Chief Executive Officer's review of operations*, the *Remuneration report*, the *Company information*, the *Five year summary*, the *Financial highlights in major currencies* and *Supplementary information* (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this Auditor's report. Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the financial statements - continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good 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.

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 Parent Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 13 to 19 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386), to report to you if, in our opinion:
  - 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 statements 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.

Appointment

We were first appointed as auditors of the Group on 1 May 1998. Our appointment has been renewed annually by resolution representing a total period of uninterrupted engagement period appointment of 19 years. The Parent Company became listed on a regulated market on 24 January 2008.

PricewaterhouseCoopers
78, Mill Street
Qormi, QRM 3101
Malta

F Axisa

Fabio Axisa
Partner

17 December 2018

MaltaPost p.l.c.

FINANCIAL STATEMENTS

30 September 2018

2018

Statements of financial position

	Notes	Group		Company	
		As at 30 September			
		2018	2017	**2018**	2017
		€'000	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**17,289**	14,390	**17,289**	14,390
Intangible assets	5	**286**	-	**286**	-
Investment in subsidiary	6	**-**	-	**1**	1
Available-for-sale financial assets	7	**3,826**	3,613	**3,826**	3,613
Deferred tax asset	8	**582**	611	**582**	611
Total non-current assets		**21,983**	18,614	**21,984**	18,615
Current assets					
Inventories	9	**606**	758	**606**	758
Trade and other receivables	10	**7,879**	11,272	**7,951**	11,272
Current tax asset		**183**	-	**183**	-
Deposits with financial institutions	11	**4,714**	2,014	**4,714**	2,014
Cash and cash equivalents	12	**12,565**	8,854	**12,458**	8,827
Total current assets		**25,947**	22,898	**25,912**	22,871
Total assets		**47,930**	41,512	**47,896**	41,486
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**9,414**	9,414	**9,414**	9,414
Share premium	13	**7,367**	7,367	**7,367**	7,367
Other reserves	14	**2,534**	(20)	**2,534**	(20)
Retained earnings		**7,101**	6,879	**7,092**	6,878
Total equity		**26,416**	23,640	**26,407**	23,639
Non-current liabilities					
Deferred tax liability	8	**1,028**	777	**1,028**	777
Provision for liabilities and charges	15	**1,964**	2,047	**1,964**	2,047
Total non-current liabilities		**2,992**	2,824	**2,992**	2,824
Current liabilities					
Trade and other payables	16	**18,522**	14,819	**18,497**	14,794
Current tax liability		**-**	229	**-**	229
Total current liabilities		**18,522**	15,048	**18,497**	15,023
Total liabilities		**21,514**	17,872	**21,489**	17,847
Total equity and liabilities		**47,930**	41,512	**47,896**	41,486

The notes on pages 40 to 79 are an integral part of these financial statements.
The financial statements on pages 34 to 79 were authorised for issue by the Board on 17 December 2018 and were signed on its behalf by:

Joseph Said
Chairman

Aurelio Theuma
Director

Income statements

		Group		Company	
		Year ended 30 September			
	Notes	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000
Revenue	17	**40,167**	38,438	**40,169**	38,441
Employee benefits expense	18	**(14,745)**	(13,531)	**(14,745)**	(13,531)
Depreciation and amortisation expense	18	**(964)**	(789)	**(964)**	(789)
Other expenses	18	**(21,986)**	(21,209)	**(22,001)**	(21,214)
Operating profit		**2,472**	2,909	**2,459**	2,907
Finance income	20	**164**	145	**164**	145
Profit before tax		**2,636**	3,054	**2,623**	3,052
Tax expense	21	**(908)**	(1,041)	**(903)**	(1,040)
Profit for the year		**1,728**	2,013	**1,720**	2,012
Earnings per share	23	**€0.05**	€0.05		

The notes on pages 40 to 79 are an integral part of these financial statements.

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 30 September			
		2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Comprehensive income					
Profit for the year		**1,728**	2,013	**1,720**	2,012
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
Losses from changes in fair value	7	**(34)**	(132)	**(34)**	(132)
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit obligations	15	**(11)**	(528)	**(11)**	(528)
Surplus arising on revaluation of land and buildings	4, 14	**2,846**	-	**2,846**	-
Income tax relating to components of other comprehensive income:					
Remeasurements of defined benefit obligations	8	**4**	305	**4**	305
Surplus arising on revaluation of land and buildings	8	**(251)**	-	**(251)**	-
Total other comprehensive income for the year		**2,554**	(355)	**2,554**	(355)
Total comprehensive income for the year		**4,282**	1,658	**4,274**	1,657

The notes on pages 40 to 79 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
		Attributable to equity shareholders				
Balance at 1 October 2016		9,247	6,298	335	6,345	22,225
Comprehensive income						
Profit for the year		-	-	-	2,013	2,013
Other comprehensive income						
Available-for-sale financial assets:						
Losses from changes in fair value	7	-	-	(132)	-	(132)
Remeasurements of defined benefit obligations, net of deferred tax	8, 15	-	-	(223)	-	(223)
Total other comprehensive income		-	-	(355)	-	(355)
Total comprehensive income		-	-	(355)	2,013	1,658
Transactions with owners						
Allotment of shares	13	167	1,069	-	-	1,236
Dividends	24	-	-	-	(1,479)	(1,479)
Total transactions with owners		167	1,069	-	(1,479)	(243)
Balance at 30 September 2017		**9,414**	**7,367**	**(20)**	**6,879**	**23,640**
Balance at 1 October 2017		9,414	7,367	(20)	6,879	23,640
Comprehensive income						
Profit for the year		-	-	-	1,728	1,728
Other comprehensive income						
Available-for-sale financial assets:						
Losses from changes in fair value	7	-	-	(34)	-	(34)
Remeasurements of defined benefit obligations, net of deferred tax	8, 15	-	-	(7)	-	(7)
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 14	-	-	2,595	-	2,595
Total other comprehensive income		-	-	2,554	-	2,554
Total comprehensive income		-	-	2,554	1,728	4,282
Transactions with owners						
Dividends	24	-	-	-	(1,506)	(1,506)
Total transactions with owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2018		**9,414**	**7,367**	**2,534**	**7,101**	**26,416**

Statements of changes in equity *- continued*

Company

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
		Attributable to equity shareholders				
Balance at 1 October 2016		9,247	6,298	335	6,345	22,225
Comprehensive income						
Profit for the year		-	-	-	2,012	2,012
Other comprehensive income						
Available-for-sale financial assets:						
Losses from changes in fair value	7	-	-	(132)	-	(132)
Remeasurements of defined benefit obligations, net of deferred tax	8, 15	-	-	(223)	-	(223)
Total other comprehensive income		-	-	(355)	-	(355)
Total comprehensive income		-	-	(355)	2,012	1,657
Transactions with owners						
Allotment of shares	13	167	1,069	-	-	1,236
Dividends	24	-	-	-	(1,479)	(1,479)
Total transactions with owners		167	1,069	-	(1,479)	(243)
Balance at 30 September 2017		**9,414**	**7,367**	**(20)**	**6,878**	**23,639**
Balance at 1 October 2017		9,414	7,367	(20)	6,878	23,639
Comprehensive income						
Profit for the year		-	-	-	1,720	1,720
Other comprehensive income						
Available-for-sale financial assets:						
Losses from changes in fair value	7	-	-	(34)	-	(34)
Remeasurements of defined benefit obligations, net of deferred tax	8, 15	-	-	(7)	-	(7)
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 14	-	-	2,595	-	2,595
Total other comprehensive income		-	-	2,554	-	2,554
Total comprehensive income		-	-	2,554	1,720	4,274
Transactions with owners						
Dividends	24	-	-	-	(1,506)	(1,506)
Total transactions with owners				-	(1,506)	(1,506)
Balance at 30 September 2018		**9,414**	**7,367**	**2,534**	**7,092**	**26,407**

The notes on pages 40 to 79 are an integral part of these financial statements.

Statements of cash flows

	Group		Company	
	Year ended 30 September			
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cash flows from operating activities				
Cash from customers	**43,633**	31,974	**43,633**	31,974
Cash paid to suppliers and employees	**(40,869)**	(31,629)	**(40,950)**	(31,656)
Cash flows attributable to funds collected on behalf of third parties	**7,873**	2,498	**7,873**	2,498
Cash from operating activities	**10,637**	2,843	**10,556**	2,816
Income tax paid	**(1,293)**	(1,088)	**(1,292)**	(1,088)
Net cash generated from operating activities	**9,344**	1,755	**9,264**	1,728
Cash flows from investing activities				
Finance income	**166**	158	**166**	158
Purchase of property, plant and equipment	**(1,345)**	(1,545)	**(1,345)**	(1,545)
Purchase of available-for-sale financial assets	**(500)**	(26)	**(500)**	(26)
Proceeds from disposals/redemptions of available-for-sale financial assets	**250**	434	**250**	434
Maturity of deposits with financial institutions	**(2,700)**	(464)	**(2,700)**	(464)
Net cash used in investing activities	**(4,129)**	(1,443)	**(4,129)**	(1,443)
Cash flows from financing activities				
Dividends paid	**(1,504)**	(244)	**(1,504)**	(244)
Net cash used in financing activities	**(1,504)**	(244)	**(1,504)**	(244)
Net movement in cash and cash equivalents	**3,711**	68	**3,631**	41
Cash and cash equivalents at beginning of year	**8,854**	8,786	**8,827**	8,786
Cash and cash equivalents at end of year	**12,565**	8,854	**12,458**	8,827

The notes on pages 40 to 79 are an integral part of these 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

The consolidated financial statements include the financial statements of MaltaPost p.l.c. (the Company) and its subsidiary undertaking (together referred to as 'the Group' and individually as 'Group entities'). The 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 (Cap. 386). The financial statements are prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class within property, plant and equipment and available-for-sale financial assets.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies.

(b) 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 Group's accounting periods beginning after 1 October 2017. The Group 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, except as disclosed below, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 15, 'Revenue from contracts with customers'

In May 2014, IFRS 15, 'Revenue from contracts with customers' was issued. It was subsequently amended in September 2015 and April 2016. It will be effective for periods beginning on or after 1 January 2018.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

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

1.1 Basis of preparation - continued

As outlined, the new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. The standard requires entities to apportion revenue earned from contracts to individual promise, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model.

Performance obligations
IFRS 15 requires that at contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer. Promises in a contract can be explicit, or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

IFRS 15 will require disclosures relating to the Group's performance obligations. The stand-alone selling prices of the Group's products and services can be determined.

Transition
The Group's decision to adopt the modified retrospective approach depends on a number of factors considering the time, effort and cost involved in doing so when compared to the benefits to users of the financial statements.

Financial impact
The Group is in the process of assessing the implications of the standard and the financial impact is not yet reasonably estimable. Based on the analysis to date the Group does not expect the impact of adoption to be significant.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 October 2018 and that comparatives will not be restated.

IFRS 9, 'Financial instruments',

IFRS 9 is effective from 1 January 2018. It is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities.

The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect expected credit loss ("ECL") allowances, which will be determined on a probability-weighted basis. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts.

1. **Summary of significant accounting policies** - continued
1.1 Basis of preparation - continued

IFRS 9 introduces a three-stage impairment model ("the general model"). The first step of the general model is to determine which impairment 'stage' a financial asset sits within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk the financial asset is moved to 'stage 2'. Financial assets are moved to 'stage 3' when they become credit impaired. An allowance that is reflective of lifetime expected credit loss is recognized for financial assets in stages 2 and 3.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in assessing whether the credit risk of an instrument has increased significantly since initial recognition and the incorporation of forward-looking information into the measurement of expected credit losses.

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, management needs to consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Where it is determined that an exposure has experienced a significant increase in credit risk, it is moved to Stage 2.

The definition of default is important since the measure used to determine the extent of any increase in credit risk since initial recognition of a financial instrument is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument. IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments; it also requires consideration of qualitative factors where appropriate.

In assessing whether a borrower is in default, management would consider indicators that are qualitative, such as breaches of covenant, as well as quantitative, such as overdue status and non-payment of another obligation of the same obligor. These indicators are based on data developed internally and obtained from external sources. Nevertheless, unless there is reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate, IFRS 9 introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

Financial impact
The Group is in the process of assessing the implications of the standard and the financial impact is not yet reasonably estimable. Based on the analysis to date the Group does not expect the impact of adoption to be significant.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 October 2018 and that comparatives will not be restated.

IFRS 16, 'Leases'
IFRS 16 was published in January 2016 and will be effective from 1 January 2019, replacing IAS 17 'Leases'. The Group does not expect to early-adopt the standard and so transition to IFRS 16 will take place on 1 October 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

1. **Summary of significant accounting policies** - continued
1.1 Basis of preparation - continued

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.

The Group is still in the process of quantifying the implications of this standard. However, the following indicative impacts are expected:

- There is expected to be an increase in total assets, as leased assets which are currently accounted for off balance sheet (i.e. classified as operating leases under IAS 17) will be recognised on balance sheet. The biggest asset category impacted for the Group is expected to be land and buildings.
- There is expected to be an increase in debt, as liabilities relating to existing operating leases are recognised. This is still under review. The increase in total debt will have an impact on gearing ratios.
- Operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore EBITDA will increase.

1.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where, for instance the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

1.2 Consolidation - continued

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of acquiring the investment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss. Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the Company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39 (Note 1.6.1).

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Company's functional and presentation 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 profit or loss.

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

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost.

Land and buildings are subsequently shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged to profit or loss, and then reflected in other comprehensive income and shown as a revaluation reserve.

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's property portfolio i.e. land and buildings at periodical intervals. The fair values are based on market values, being the estimated amount or price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

1.4 Property, plant and equipment - continued

The rates of depreciation used for the current and comparative periods are as follows:

	%
Buildings	1
Furniture and fittings	4 -15
Equipment	20 - 25
Motor vehicles	25
Improvements to premises:	
Property leased out from Government	Up to 2028
Property leased out from other third parties	Over the period of the lease agreements
MaltaPost p.l.c. owned properties	Over 15 years

Assets in the course of construction and archives are not depreciated.

The asset's 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 the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

1.5 Intangible assets

Computer software

The Group's computer software comprises software purchased from third parties. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

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

1.6 Financial assets

1.6.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months (or the normal operating cycle of the business if longer) after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables principally comprise 'trade and other receivables', 'deposits with financial institutions' and 'cash and cash equivalents' in the statement of financial position (Notes 1.9 and 1.10).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. They are included in non-current assets unless the investment matures or Management intends to dispose of the investment within twelve months of the end of the reporting period.

1.6.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

1. **Summary of significant accounting policies** - continued
1.6 Financial assets - continued

The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified to profit or loss as a reclassification adjustment.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within 'finance income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group 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, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.6.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the

1. **Summary of significant accounting policies** - continued
1.6 Financial assets - continued

amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

1.7 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.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of postal stationery and inventories for resale is determined by a weighted average basis, and other inventory items by a first-in first-out method. The cost of inventories comprises the invoiced value of goods sold and in general includes transport and handling costs. 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. **Summary of significant accounting policies** - continued

1.9 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 in accordance with accounting policy 1.6.3. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.10 Cash and cash equivalents and deposits with financial institutions

Cash and cash equivalents and deposits with financial institutions are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, whereas deposits which exceed the three month term are classified and presented as deposits with financial institutions.

1.11 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. When shares are issued at a premium, the difference between the proceeds and the share's par value is recognised in a share premium reserve.

1.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These other liabilities are subsequently measured at amortised cost.

The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

1.14 Borrowings

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

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

1.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group has agreements in place with third parties to collect, through the Group's outlet network, amounts due to these third parties owed by their customers. Any amounts collected in respect of these agreements are retained by the Group until settlement with the respective third parties, during which time the Group is exposed to the risks and rewards emanating from the amounts collected. Such amounts are therefore presented within assets with a corresponding liability towards the third party presented within trade and other payables.

1.16 Current and deferred tax

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 income 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. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

1.17 Provisions

Provisions are recognised when the Group 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 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 liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. A defined benefit obligation is calculated annually using the projected unit credit method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of Government bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's 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 foreign postal administrators. Revenue is recognised as follows: income from sale of stamps, commissions earned on postal and non-postal transactions and from foreign inbound mail 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.

Other income is recognised as follows:

(a) finance income is recognised as it accrues on a time proportion basis using the effective interest method, unless collectability is in doubt;

(b) dividend income is recognised when the right to receive payment is established.

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

1.19 Government grants

Grants from Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1.20 Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.21 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.

1.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

1.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. 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

2.1 Financial risk factors

The Group'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 Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

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.

(a) 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 functional currency. The Group is exposed to foreign exchange risk arising primarily from the Group's sales and purchases attributable to its postal activities, a part of which are denominated in SDR. The table below summarises the main exposure to foreign currencies analysing the exposure of assets and liabilities by foreign currency, focusing on invoiced amounts:

	Group and Company	
	2018	2017
	€'000	€'000
Financial assets		
Trade receivables		
SDR	**519**	1,689
Financial liabilities		
Trade payables		
SDR	**(1,730)**	(732)
Net exposure to foreign currency risk	**(1,211)**	957

Management does not deem the Group's exposure to foreign currencies reflected in the table above to be significant. Foreign exchange risk is not considered significant, taking cognisance of the impact of exchange fluctuations on the net financial position exposures as at the reporting dates and the staged short settlement periods for both assets and liabilities denominated in SDR. 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 periods is not accordingly deemed necessary since the Directors are of the opinion that the net impact would be insignificant. Also foreign exchange risk attributable to future transactions is not deemed to be significant.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(ii) Cash flow and fair value interest rate risk

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

The Group's fixed income debt securities, categorised as available-for-sale financial assets, consist principally of corporate and Government debt securities, and constitute the Group's only financial instruments carried at fair value.

Management does not consider cash flow and fair value interest rate risk to be significant in view of the nature and terms of the instruments highlighted above. 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 period is not deemed necessary.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, financial investments, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of the financial assets focusing on invoices amounts, represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Available-for-sale financial assets - debt securities (Note 7)	**3,826**	3,613	**3,826**	3,613
Loans and receivables:				
Trade and other receivables (Note 10)	**7,879**	11,272	**7,951**	11,272
Deposits with financial institutions (Note 11)	**4,714**	2,014	**4,714**	2,014
Cash and cash equivalents (Note 12)	**12,565**	8,854	**12,458**	8,827
	28,984	25,753	**28,949**	25,726

The maximum exposure to credit risk at the reporting date as reflected by the carrying amount of financial investments, credit exposures to customers and cash and cash equivalents is disclosed in the table above and the respective notes to the financial statements.

The Group 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 effected in cash. The Group monitors the performance of its financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

2. **Financial risk management** - continued
2.1 Financial risk factors - continued
(b) Credit risk - continued

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered. The Group 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.

As at 30 September 2018 the Group was exposed to concentration of credit risk with 24% (2017: 61%) of its trade receivables being attributable to four (2017: four) postal administrators. The Group assesses the credit quality of these administrators by taking into account financial position, performance and other factors. No losses from non-performance or default are expected in this respect. The Group also takes cognisance of the fact that balances with postal administrators are generally cleared and settled through a central clearing house which acts as a credit risk mitigant.

As at 30 September 2018, the Group had trade receivables amounting to €3,594,000 (2017: €6,841,000) which were fully performing whilst trade receivables amounting to €376,000 (2017: €773,000) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of default. Trade receivable amounting to €104,000 (2017: €547,000) were overdue by at least three months, whereas €272,000 (2017: €226,000) were overdue by at least nine months.

The Group banks solely with high quality financial institutions. The Group's financial investments comprise listed sovereign debt securities having a carrying amount of €2.2 million (2017: €2.3 million) with a credit rating of A, as well as listed debt securities issued by corporates having a carrying amount of €0.6 million (2017: €0.1 million) with a credit rating of BBB. The remaining investments in listed debt instruments issued by local corporates with a carrying amount of €1.1 million (2017: €1.3 million) are unrated. Credit risk in respect of financial instruments is considered to be limited, also in view of the fact that all such investments are listed on the Malta Stock Exchange.

Impairment losses

The Group had impairment provisions amounting to €78,784 (2017: €102,987) at year end in respect of trade receivables that were overdue. These provisions mainly reflect the carrying amount of exposure to a limited number of debtors that were deemed to be experiencing adverse trading conditions. As disclosed above, other overdue trade receivables amounted to €376,000 (2017: €773,000) but were not impaired. All other trade receivables reflect current balances.

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

	Group and Company	
	2018	2017
	€'000	€'000
At 1 October	**102**	98
Increase in provisions	**10**	4
Reversal of provisions	**(33)**	-
At 30 September	**79**	102

The Group does not hold collateral as security in respect of all its financial assets.

2. **Financial risk management -** continued

2.1 Financial risk factors - continued

(c) Liquidity risk

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

The Group's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with financing facilities that it can access to meet liquidity needs. The Group's trade and other payables are entirely repayable within one year from the end of the reporting period.

2.2 Capital risk management

Capital is managed by reference to the level of the Company's equity and borrowings or debt as disclosed in the financial statements of the Company. The Group'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 issue new shares or adjust the amount of dividends paid to shareholders.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the Directors.

2. Financial risk management - continued

2.3 Fair values of financial instruments

In accordance with IFRS 7, for financial instruments that are measured in the statement of financial position at fair value, disclosure of fair value measurements by level of the following fair value measurement hierarchy is required:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Group and Company	
	Level 1	
	2018	2017
	€'000	€'000
Assets		
Available-for-sale financial assets		
- Debt securities	**3,826**	3,613

The fair value of the available-for-sale financial assets which are 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.

The carrying amounts of cash and cash equivalents, term placements, receivables (net of impairment provisions) and payables are assumed to approximate their fair values in view of the short term nature of the instruments.

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.

The land and buildings class of property, plant and equipment is fair valued on the basis of professional advice, which considers current market prices for the properties. Fair valuation of property requires the extensive use of judgement and estimates. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The Directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Property, plant and equipment

Group and Company	Land and buildings €'000	Improvements to leasehold properties €'000	Fixtures, furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
At 1 October 2016						
Cost or valuation	9,791	1,107	5,854	5,983	154	22,889
Accumulated depreciation	(66)	(427)	(3,411)	(5,075)	(139)	(9,118)
Net book amount	9,725	680	2,443	908	15	13,771
Year ended 30 September 2017						
Opening net book amount	9,725	680	2,443	908	15	13,771
Additions	240	54	407	666	169	1,536
Disposals	-	-	-	(128)	-	(128)
Depreciation	(51)	(57)	(273)	(399)	(9)	(789)
Closing net book amount	9,914	677	2,577	1,047	175	14,390
At 30 September 2017						
Cost or valuation	10,031	1,161	6,261	6,521	323	24,297
Accumulated depreciation	(117)	(484)	(3,684)	(5,474)	(148)	(9,907)
Net book amount	9,914	677	2,577	1,047	175	14,390
Year ended 30 September 2018						
Opening net book amount	9,914	677	2,577	1,047	175	14,390
Additions	190	120	314	339	8	971
Disposals	-	-	-	(6)	-	(6)
Reclassification	(38)	7	31	-	-	-
Depreciation	(62)	(77)	(284)	(445)	(44)	(912)
Revaluation surplus arising during the year:						
Effect on cost or valuation	2,667	-	-	-	-	2,667
Effect on accumulated depreciation	179	-	-	-	-	179
Closing net book amount	**12,850**	**727**	**2,638**	**935**	**139**	**17,289**
At 30 September 2018						
Cost or valuation	12,850	1,288	6,606	6,854	331	27,929
Accumulated depreciation	-	(561)	(3,968)	(5,919)	(192)	(10,640)
Net book amount	**12,850**	**727**	**2,638**	**935**	**139**	**17,289**

4. Property, plant and equipment - continued

Property, plant and equipment include assets relating to the Company's postal museum as follows:

	Group and Company Carrying amount	
	2018	2017
	€'000	€'000
As at 30 September		
Land and buildings	**1,161**	1,053
Artefacts and exhibits	**1,035**	1,159
	2,196	2,212

Fair valuation of property

The land and buildings within property, plant and equipment were revalued on 30 September 2018 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 30 September 2018, on the basis of the assessments carried out by the independent property valuers. Adjustments to the carrying amounts were deemed necessary and accordingly recognised during the current financial year.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

As at 30 September 2018, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised an increase of €2,846,000 in the carrying values for the Company to reflect the property's estimated open market value on an individual asset level. This increase was recognised in other comprehensive income in the property revaluation reserve within shareholders' equity.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's land and buildings, within property, plant and equipment, comprises the head office, mail delivery hubs and retail outlets. All the recurring property fair value measurements at 30 September 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

4. Property, plant and equipment - continued

Fair valuation of property - continued

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 30 September 2018.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

Valuation processes

The valuations of the properties will be performed regularly on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and

- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Financial Officer (CFO). This includes a review of fair value movements. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Audit and Risk Committee. The Audit and Risk Committee considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the CFO will assess whether any significant changes or developments have been experienced since the last external valuation. This is supported by an assessment performed by the independent firm of property valuers. The CFO reports to the Audit and Risk Committee on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property have been performed using an adjusted sales comparison approach for the land component and the replacement cost approach for the buildings component.

In view of a limited number of similar sales in the local market, the valuations have predominantly been performed using unobservable inputs. The significant input to the adjusted sales comparison approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property. The significant input to the replacement cost approach is the estimated development costs per square metre.

Information about fair value measurements using significant unobservable inputs (Level 3)

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

At 30 September 2018

Description by class based on highest and best use	**Fair value €**	**Valuation technique**	**Significant unobservable input**	**Range of unobservable inputs (weighted average) €**
Current use as office premises, retail outlets and mail delivery hubs	**12.8 million**	Adjusted sales comparison approach	Sales price per square metre	800 - 19,000 (885)
		Replacement cost approach	Development costs per square metre	250 - 600 (300)

At 30 September 2017

Description by class based on highest and best use	**Fair value €**	**Valuation technique**	**Significant unobservable input**	**Range of unobservable inputs (weighted average) €**
Current use as office premises, retail outlets and mail delivery hubs	9.9 million	Adjusted sales comparison approach	Sales price per square metre	300 - 17,000 (750)
		Replacement cost approach	Development costs per square metre	200 - 600 (250)

The Group's improvements to premises not owned by the Group, with a carrying amount of €727,000 (2017: €677,000), have not been included in the analysis above.

The higher the sales price per square metre or the development costs per square metre, the higher the resultant fair valuation. The highest and best use of the Group's properties is equivalent to their current use.

4. Property, plant and equipment - continued

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	Group and Company	
	2018	2017
	€'000	€'000
Cost	**10,149**	9,961
Accumulated depriciation	**(361)**	(317)
Net book amount	**9,788**	9,644

5. Intangible assets

Group and Company	Computer software €'000
Year ended 30 September 2018	
Additions	338
Amortisation	(52)
Closing net book amount	**286**
At 30 September 2018	
Cost	338
Accumulated amortisation	(52)
Net book amount	**286**

6. Investment in subsidiary

	Company	
	2018	2017
	€'000	€'000
Cost and carrying amount at beginning and end of year	**1**	1

The carrying amount of the investment at 30 September 2018 and 2017 is equivalent to the cost of investment. The subsidiary at 30 September 2018 and 2017 is shown below:

Subsidiary	**Registered office**	**Percentage of shares and voting rights held**	**Nature of business**
Tanseana Limited	305, Qormi Road, Marsa, MTP 1001, Malta	100% ordinary shares	Document management services

7. Available-for-sale financial assets

Financial instruments, other than loans and receivables, are summarised in the table below:

	Group and Company	
	2018	2017
	€'000	€'000
Available-for-sale:		
Non-current	**3,826**	3,613

	Group and Company	
	2018	2017
	€'000	€'000
Year ended 30 September		
Opening carrying amount	**3,613**	4,156
Additions	**500**	26
Disposals/redemptions	**(250)**	(434)
Net fair value movements (Note 14)	**(34)**	(132)
Amortisation	**(3)**	(3)
Closing carrying amount	**3,826**	3,613
At 30 September		
Amortised cost	**3,431**	3,184
Accumulated fair value gains	**395**	429
Carrying amount	**3,826**	3,613

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 3% to 6% (2017: 3% to 7%). The weighted average effective interest rate as at 30 September 2018 was 5% (2017: 5%).

8. Deferred tax assets and liabilities

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The principal tax rate used is 35% (2017: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% of the transfer value, amounting to €1,028,000 as at 30 September 2018 (2017: €777,000).

The balance at 30 September represents temporary differences attributable to:

	Group and Company	
	2018	2017
	€'000	€'000
Assets		
Reflected within profit or loss		
Depreciation of property, plant and equipment	**144**	206
Provisions	**51**	59
Other	**78**	41
Reflected within other comprehensive income		
Provisions for liabilities and charges	**309**	305
	582	611
Liabilities		
Reflected within other comprehensive income		
Fair valuation of land and buildings	**(1,028)**	(777)
	(1,028)	(777)

8. Deferred tax assets and liabilities - continued

The movement in the deferred tax assets and liabilities during the year is as follows:

	Group and Company	
	2018	2017
	€'000	€'000
Assets		
At beginning of year	**611**	338
Charge to profit or loss (Note 21)	**(33)**	(32)
Credit to other comprehensive income (Note 14)	**4**	305
At end of year	**582**	611
Liabilities		
At beginning of year	**(777)**	(777)
Charge to other comprehensive income (Note 14)	**(251)**	-
At end of year	**(1,028)**	(777)
Net deferred tax liability	**(446)**	(166)

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax liabilities and assets reflected in other comprehensive income relate to temporary differences attributable to fair valuation of land and buildings within property, plant and equipment (Note 14) and to provision for actuarial losses in respect of pension obligations (Note 15) respectively.

9. Inventories

	Group and Company	
	2018	2017
	€'000	€'000
Inventories for resale	**250**	324
Other inventory items	**234**	254
Stamps and postal stationery	**122**	180
	606	758

There were no inventory write-downs during the current and preceding financial years.

10. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current				
Trade receivables - gross	**3,608**	7,614	**3,608**	7,614
Provision for impairment	**(79)**	(102)	**(79)**	(102)
Trade receivables - net	**3,529**	7,512	**3,529**	7,512
Amounts due from group undertaking	**-**	-	**72**	-
Prepayments and accrued income	**4,350**	3,760	**4,350**	3,760
	7,879	11,272	**7,951**	11,272

Amounts due from group undertakings are interest free, unsecured and repayable on demand. The Group's exposures to credit and currency risks together with impairment losses relating to trade and other receivables are disclosed in Note 2.

11. Deposits with financial institutions

	Group and Company	
	2018	2017
	€'000	€'000
Term placements	**4,714**	2,014

Deposits with financial institutions comprise placements with a maturity of more than three months but less than one year.

12. Cash and cash equivalents

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

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cash and balances with banks	**12,565**	8,854	**12,458**	8,827

Cash and cash equivalents as at 30 September 2018 include amounts collected on behalf of third parties, amounting to €9,705,000 (2017: €3,439,000) as disclosed in Note 16.

13. Share capital

	Company	
	2018	2017
	€'000	€'000
Authorised		
56,000,000 ordinary shares of €0.25 each	**14,000**	14,000
Issued and fully paid up		
37,654,720 ordinary shares of €0.25 each	**9,414**	9,414

By virtue of a resolution dated 6 December 2016 the Company's Directors approved the allotment of 668,120 ordinary shares of €0.25 each at a premium of €1.60 each as a scrip issue in lieu of dividends, thereby increasing the issued and fully paid up share capital to 37,654,720 shares of €0.25 each, resulting in a paid up share capital of €9,413,680. The effect on the share premium account is presented in the statement of changes in equity.

Utilisation of the share premium account is governed by the requirements of Article 114 within the Companies Act (Cap. 386) of the laws of Malta.

14. Other reserves

Group and Company	Property revaluation reserve €'000	Investment fair value reserve €'000	Other reserve €'000	Total €'000
At 1 October 2016	117	561	(343)	335
Available-for-sale financial assets:				
Losses from changes in fair value (Note 7)	-	(132)	-	(132)
Remeasurements of defined benefit obligations (Note 15)				
Actuarial losses	-	-	(528)	(528)
Deferred taxes (Note 8)	-	-	305	305
At 30 September 2017	117	429	(566)	(20)
At 1 October 2017	117	429	(566)	(20)
Available-for-sale financial assets:				
Losses from changes in fair value (Note 7)	-	(34)	-	(34)
Remeasurements of defined benefit obligations (Note 15):				
Actuarial losses	-	-	(11)	(11)
Deferred taxes (Note 8)	-	-	4	4
Surplus arising on revaluation of land and buildings (Note 4)	2,846	-	-	2,846
Deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals (Note 8)	(251)	-	-	(251)
At 30 September 2018	**2,712**	**395**	**(573)**	**2,534**

Property revaluation reserve

The revaluation reserve relates to fair valuation of the land and buildings component of property, plant and equipment, and the balance represents the cumulative net increase in fair value of such property, net of related deferred tax.

Investment fair value reserve

The fair value reserve represents changes in fair value of available-for-sale financial assets which are unrealised at financial reporting date. Upon disposal, realised fair value gains are reclassified to profit or loss as a reclassification adjustment.

Other reserve

The other reserve reflects the impact of actuarial gains and losses with respect to pension obligations (Note 15) recognised in other comprehensive income in accordance with the Group's accounting policy, net of any related deferred tax impacts.

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

The amount recognised in the statement of financial position is as follows:

	Group and Company	
	2018	2017
	€'000	€'000
Present value of unfunded obligation	**3,784**	3,731
Crystallised obligation	**(1,121)**	(985)
Fair value of obligation to be reimbursed by Government	**(699)**	(699)
Provision reflected in financial statements	**1,964**	2,047

The provision is principally non-current in nature.

The movement for the year is made up of:

	Group and Company	
	2018	2017
	€'000	€'000
Charge to profit or loss	**(42)**	-
Charge to other comprehensive income (Note 14)	**(11)**	(528)
Crystallised obligation	**136**	127
	83	(401)

The amount recognised in other comprehensive income is as follows:

	Group and Company	
	2018	2017
	€'000	€'000
Net actuarial losses		
- attributable to financial assumptions	**(11)**	(591)
- attributable to demographic assumptions	**-**	63
	(11)	(528)

In computing the provision, the Group used a weighted average discount rate of 1.63% (2017: 1.75%). Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 83 (83 in 2017) depending on age and gender of the beneficiaries.

These factors are deemed to be the key assumptions used in the computation of the liability. The sensitivity of the obligation to changes in the key assumptions is considered immaterial for disclosure purposes.

16. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current				
Trade payables	**3,745**	4,898	**3,745**	4,898
Amounts collected on behalf of third parties	**9,705**	3,439	**9,705**	3,439
Other payables	**1,172**	1,033	**1,172**	1,033
Indirect taxes and social security	**382**	310	**357**	291
Accruals and deferred income	**3,518**	5,139	**3,518**	5,133
	18,522	14,819	**18,497**	14,794

The Group's exposures to currency and liquidity risks relating to trade and other payables are disclosed in Note 2.

17. Revenue

Revenue is analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
By activity				
Postal	**35,260**	34,069	**35,260**	34,069
Philatelic	**404**	444	**404**	444
Other	**4,503**	3,925	**4,505**	3,928
	40,167	38,438	**40,169**	38,441
By geographical segments				
Local	**25,337**	23,468	**25,339**	23,471
International	**14,830**	14,970	**14,830**	14,970
	40,167	38,438	**40,169**	38,441

Revenue categorised as 'International' within the table above is attributable to postal activities which do not impact postal traffic from or to Malta.

The Group primarily operates in one segment that comprises the provision of postal and related retail services to customers, which activities are substantially subject to the same risks and returns. Accordingly, the presentation of segment information as required by IFRS 8, Operating segments, within these financial statements is not deemed applicable.

18. Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Employee benefits expense (Note 19)	**14,745**	13,531	**14,745**	13,531
Depreciation and amortisation (Notes 4, 5)	**964**	789	**964**	789
Foreign direct mail costs	**15,328**	15,266	**15,328**	15,266
Property operating lease rentals	**251**	202	**251**	202
Motor vehicle operating lease rentals	**599**	541	**599**	541
Differences on exchange	**-**	81	**-**	81
Movement in provision for impairment of receivables (Note 10)	**(23)**	4	**(23)**	4
Other expenses	**5,831**	5,115	**5,846**	5,120
	37,695	35,529	**37,710**	35,534

A credit amount of €186,000 netted off within the amounts in the table above, related to a reversal of over accruals in direct mail costs in prior year.

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

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**27**	27	**27**	27
Other assurance services	**15**	15	**15**	15
Tax advisory and compliance services	**1**	1	**1**	1
Other non-assurances services	**105**	53	**105**	53
	148	96	**148**	96

Other non-assurance services to the Company include:

- VAT advisory services, supporting the Company in obtaining an exemption to issue fiscal receipts from a new computer system.
- Advisory services related to the delivery of quality of service measurement studies on cross-border and local mail covering 3 year period from October 2015 to December 2018.
- Review of Government of Malta claim in relation to provision for pension obligations.

19. Employee benefits expense

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,179**	12,098	**12,705**	11,831
Other staff costs	**535**	513	**1,060**	812
Social security costs	**1,031**	920	**980**	888
	14,745	13,531	**14,745**	13,531

Average number of persons employed during the year:

	Group		Company	
	2018	2017	**2018**	2017
Operational	**674**	600	**632**	570
Management	**43**	43	**43**	43
	717	643	**675**	613

20. Finance income

	Group and Company	
	2018	2017
	€'000	€'000
Interest income from bank balances and debt securities	**164**	145

21. Tax expense

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current tax expense	**875**	1,009	**870**	1,008
Deferred tax charge (Note 8)	**33**	32	**33**	32
Tax expense	**908**	1,041	**903**	1,040

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

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Profit before tax	**2,636**	3,054	**2,623**	3,052
Tax at 35%	**923**	1,069	**918**	1,068
Tax effect of:				
Income taxed at different rates	**(33)**	(22)	**(33)**	(22)
Other differences	**18**	(6)	**18**	(6)
Tax expense	**908**	1,041	**903**	1,040

22. Directors' emoluments

	Group and Company 2018 €'000	2017 €'000
Directors' fees	**47**	30

The Company paid insurance premia of €4,925 (2017: €4,925) during the year, in respect of professional indemnity.

23. Earnings per share

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

	Group 2018	2017
Profit attributable to equity holders (€'000)	**1,728**	2,013
Weighted average number of ordinary shares in issue (thousands)	**37,655**	37,437
Earnings per share (basic and diluted)	**€0.05**	€0.05

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

24. Dividends

	Company 2018 €'000	2017 €'000
Dividends declared on ordinary shares	**1,506**	1,479
€ per share (net)	**€0.04**	€0.04

At the forthcoming Annual General Meeting, a final net dividend of €0.04 in respect of the financial year ended 30 September 2018 is to be proposed. These financial statements do not reflect this final dividend of €1,506,189 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 2019.

25. Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases, with respect to property and motor vehicles, mainly having a term of five years, are as follows:

	Company	
	2018	2017
	€'000	€'000
Current		
Within 1 year	**86**	125
Non-current		
Between 1 and 2 years	**77**	215
Between 2 and 5 years	**132**	45
	295	385

Specific lease arrangements include an option to renew the lease after the original term but the amounts presented in the table above do not reflect lease charges applicable to the renewal period.

The Company is also committed to pay an annual licence fee of 0.75% of its total gross revenue from postal services within the scope of the universal services.

26. Related party transactions

Redbox Limited, the Company's immediate parent, is a subsidiary of Lombard Bank Malta p.l.c., the ultimate parent. All entities that are controlled by Lombard Bank Malta p.l.c. are considered by the Directors to be related parties. The major shareholders of Lombard Bank Malta p.l.c. are also considered to be related parties.

The sale of stamps to entities referred to above is made directly or indirectly by the Company in the normal course of business at arm's length prices and is included within revenue. Disclosure of these amounts, which are not 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:

	Company	
	2018	2017
	€'000	€'000
Ultimate parent		
Services provided to	**53**	49
Bank interest income from	**-**	6
Goods and services provided by	**185**	168
Subsidiary		
Services provided to	**2**	3
Services provided by	**595**	308

Year end balances with related parties arising from the above transactions are disclosed in Note 10 to these financial statements.

Cash and cash equivalents include:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Ultimate parent				
Term placements and bank balances held with Lombard Bank Malta p.l.c.	**3,825**	3,369	**3,717**	3,342

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 22.

27. Statutory information

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

Five year summary
Accounting ratios

	01/10/17 to 30/09/18 %	01/10/16 to 30/09/17 %	01/10/15 to 30/09/16 %	01/10/14 to 30/09/15 %	01/10/13 to 30/09/14 %
Gross profit margin	**17.90**	18.13	24.01	28.15	25.19
Operating profit margin	**6.12**	7.56	9.91	12.45	10.66
Operating profit to total assets	**5.14**	6.98	7.61	9.11	8.22
Operating profit to capital employed	**9.32**	12.30	12.45	15.70	13.89
Profit before tax to total equity	**9.94**	12.91	13.20	16.59	15.02
Profit after tax to total equity	**6.51**	8.51	9.29	10.74	9.87

	30/09/18	30/09/17	30/09/16	30/09/15	30/09/14
Shares in issue of €0.25 each (thousands)	**37,655**	37,655	36,987	36,307	35,280
Net assets per share (€ cents)	**70**	63	60	56	52
Earnings per share (€ cents)	**5**	5	6	6	5

Financial highlights in major currencies

	Company	
	USD	GBP
	000's	000's
For the year ended 30 September 2018		
Revenue	44,633	35,791
Gross profit	8,345	6,405
Operating profit	2,856	2,192
Profit before tax	3,046	2,337
Net profit after tax	1,996	1,532
At 30 September 2018		
Total assets less current liabilities	34,125	26,192
Total equity	30,654	23,527

Per share		
	USD	**GBP**
Earnings	0.06	0.04
Net asset value	0.81	0.62

At currency rates of exchange ruling on 30 September 2018:

USD 1.1609 = EUR 1

GBP 0.8910 = EUR 1

MaltaPost p.l.c.

SUPPLEMENTARY INFORMATION

30 September 2018

2018

Supplementary information

MaltaPost p.l.c. Post Offices

HEAD OFFICE - MARSA
305, Qormi Road,
Marsa, MTP 1001

BIRKIRKARA
58, Valley Road,
Birkirkara, BKR 9013

BIRŻEBBUĠA
48, Żarenu Dalli Street,
Birżebbuġa, BBG 1522

BORMLA
Block 14, Fuq San Pawl,
Bormla, BML 1910

FLORIANA
San Kalċidonju Square,
Floriana, FRN 1520

GĦAJNSIELEM
J. F. De Chambrai Street,
Għajnsielem, GSM 1051

GĦARB
Visitation Street,
Għarb, GRB 1044

GŻIRA
21, Meme' Scicluna Square,
Gżira, GZR 1120

ĦAMRUN
18, Old Railway Street,
Ħamrun, ĦMR 1900

KALKARA
SmartCity Malta,
Building SCM 01 Level G,
Ricasoli, Kalkara, SCM 1001

LIJA
2, Mikielang Borġ Street,
Lija, LJA 1440

LUQA
11, Dun Ġulju Muscat Street,
Luqa, LQA 1450

Malta International Airport,
M.I.A. Hall,
Luqa, LQA 5001

MELLIEĦA
100, New Mill Street,
Mellieħa, MLĦ 1107

MOSTA
Civic Centre, Constitution Street,
Mosta, MST 9059

MSIDA
University Campus,
Msida, MSD 2080

NADUR
13, North Street,
Nadur, NDR 1220

NAXXAR
Civic Centre, 21st September Avenue,
Naxxar, NXR 1018

PAOLA
Civic Centre, Antoine de Paule Square,
Paola, PLA 1266

PIETA'
Gwardamanġa Hill,
Pieta', PTA 1310

QORMI
343, Victory Street,
Qormi, QRM 2504

RABAT
Civic Centre, St. Rita Street,
Rabat, RBT 1001

SAN ĠWANN
95, Naxxar Road,
San Ġwann, SGN 9031

ST. PAUL'S BAY
6, Dolmen Street,
Buġibba, St.Paul's Bay, SPB 2400

511, St. Paul Street,
St. Paul's Bay, SPB 3416

ST. JULIANS
Paceville Avenue,
Paceville, St. Julians, STJ 3103

SLIEMA
118, Manwel Dimech Street,
Sliema, SLM 1055

39, Sir Adrian Dingli Street,
Sliema, SLM 1902

SWIEQI
Civic Centre, G. Bessiera Street,
Swieqi, SWQ 2261

VALLETTA
1, Dar Annona, Castille Square,
Valletta, VLT 1060

75, Old Bakery Street,
Valletta, VLT 1458

Malta Postal Museum,
135, Archbishop Street,
Valletta, VLT 1444

25, South Street,
Valletta, VLT 1102

VICTORIA
5, Sir Adrian Dingli Street,
Victoria, VCT 1441

XAGĦRA
132, Race Course Street,
Xagħra, XRA 2013

ŻABBAR
Civic Centre, Convent Street,
Żabbar, ZBR 1351

ŻEBBUĠ
Sciortino Street,
Żebbuġ, ZBG 1962

ŻEJTUN
37, St. Lucian Street,
Żejtun, ZTN 1834

ŻURRIEQ
75, Main Street,
Żurrieq, ZRQ 1317

Supplementary information

MaltaPost p.l.c. Sub-Post Offices

ATTARD
76, Higher Grades Stationery,
Kananea Street,
Attard, ATD 2703

BAĦAR IĊ-ĊAGĦAQ
Allstat Stationery,
Lampara Street,
Baħar iċ-Ċagħaq, NXR 5134

BIRGU
Step In,
Victory Square,
Birgu, BRG 1300

BIRKIRKARA
84, Landau Stationery,
Dun Gejtanu Mannarinu Street,
Birkirkara, BKR 9085

D Spiral Stationery,
Victory Street,
Birkirkara, BKR 2691

DINGLI
Għajn Stationery,
Main Street,
Dingli, DGL 1837

FGURA
Happy Kids Stationery,
St. Thomas Street,
Fgura, FGR 1608

FLORIANA
Future Focus,
9, L-Imħażen Street,
Floriana, FRN 1118

GĦARGĦUR
Aquavel,
St. Bartholomew Street,
Għargħur, GHR 1014

GĦASRI
Kunsill Lokali Għasri,
6, Dun Karm Caruana Street,
Għasri, GSR 1021

GĦAXAQ
4, Marchams,
Wesgħa Bir id-Deheb,
Għaxaq, GXQ 1651

GUDJA
CND Stationery,
144, Tower Avenue,
Gudja, GDJ 1704

KALKARA
Troy DVD Rentals,
Archbishop Gonzi Square,
Kalkara, KKR 1510

KERĊEM
Kerċem Local Council,
Orvieto Square,
Kerċem, KCM 1360

MARSASCALA
Needz Stationery,
Vajrita Street,
Marsascala, MSK 3325

MELLIEĦA
51, G. Borġ Olivier Street,
Mellieħa, MLH 1024

MQABBA
12, Alessio's Old Cottage,
Parish Street,
Mqabba, MQB 1511

MSIDA
Wigwam, Tal-Qroqq Street,
Msida, MSD 1702

QORMI
Electroit Stationery,
Federico Maemple Square,
Qormi, QRM 1011

QRENDI
Papel Stationery,
Triq is-Salvatur,
Qrendi, QRD 1701

SAN ĠWANN
6, S.G.S.,
Feliċ Borg Street,
San Ġwann, SGN 2040

SAN LAWRENZ
22A, San Lawrenz Local Council,
Our Lady of Sorrows Street,
San Lawrenz, SLZ 1261

SANTA LUĊIJA
Willand Bargain Store,
Dun M. Mifsud Street,
Santa Luċija, SLC 1441

SANTA VENERA
C@C,
Fleur-De-Lys Junction,
Santa Venera, SVR 1580

SIĠĠIEWI
Many Things Stationery,
Old Church Street,
Siġġiewi, SGW 1704

SLIEMA
7, Malton,
Ċensu Scerri Street, Tigne,
Sliema, SLM 3062

ST. PAUL'S BAY
Paul's Arcade,
Kaħli Street,
St. Paul's Bay, SPB 3015

TARXIEN
16/17, Forex,
Market Square,
Tarxien, TXN 1951

TA' XBIEX
Fleet Stationery,
Testaferrata Street,
Ta' Xbiex, XBX 1402

ŻURRIEQ
AZ Stationery,
Independence Avenue,
Żurrieq, ZRQ 2339

Supplementary information

Collection of postal articles from public letterboxes is held as follows (exceptions may apply as announced to the public in agreement with the Malta Communications Authority):

- Monday to Friday as from 1715hrs; and
- Saturday as from 1230hrs.

Delivery of postal articles generally commences as from 7.00 a.m., and ends in accordance with operational exigencies.

Further information on our products and services, including prices and a full list of letterboxes and stamp vendors, may be found on our website on www.maltapost.com or by request from our Post Offices or from our Customer Care Department on (+356) 2122 4421.

The postal schemes which deal with a number of postal services may also be located and downloaded from our website or available upon request from our Post Offices or our Customer Care. During the year under review, customer complaints accounted for 0.0039% of all mail items handled.

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