COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by MaltaPost p.l.c. (the Company) pursuant to the Malta Financial Services Authority Listing Rules.

QUOTE

The Board of Directors of MaltaPost p.l.c. approved the audited financial statements for the financial year ended 30 September 2020 and resolved that these statements be submitted for approval at the forthcoming Annual General Meeting to be held on 12 February 2021. The attached Annual Report is being published in terms of the Listing Rules.

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting:

1. The payment of a final gross dividend of €0.0615 (Net: €0.04) per nominal €0.25 share.
2. Shareholders shall receive the dividend either by direct transfer or by cheque.

The dividend, if approved at the Annual General Meeting, will be paid on 12 March 2021 to shareholders on the Company's share register at the Central Securities Depositary of the Malta Stock Exchange as at close of business of 12 January 2021.

Shareholders on the Company's share register at the Central Securities Depositary of the Malta Stock Exchange as at close of business of 12 January 2021 will receive the notice of the Annual General Meeting together with the Financial Statements for the financial year ended 30 September 2020.

UNQUOTE

Graham A. Fairclough
Company Secretary

21 December 2020

MaltaPost p.l.c.

HEAD OFFICE
305, Qormi Road, Marsa MTP 1001, Malta
(+356) 2122 4421 | info@maltapost.com | www.maltapost.com

ANNUAL REPORT 2020

Contents

Chairman's statement to the members

MaltaPost faced significant and unprecedented challenges this year due to the outbreak of the COVID-19 pandemic and the closure of Malta's sole international airport for no less than three months. Notwithstanding this background, I am pleased to report a satisfactory set of results in respect of the Group's financial year ended 30 September 2020 which show a pre-tax profit for the year of €2.8 million – a decrease of 7% over the previous year.

Earnings per Share continue to remain constant resulting in a final net dividend of €0.04 per nominal €0.25 share, payable in cash and which is being proposed for approval by the shareholders at the Annual General Meeting.

Shareholders' Funds stand at €27.2 million, ensuring that the Company remains well positioned to progress its investment programme which includes the strengthening of its branch network, the gradual introduction of new last mile delivery tools as well as diversification into new business lines such as insurance. In fact, during this financial year, the Company entered into an agreement to acquire a 49% shareholding in Untours Insurance Agents Limited, a company which carries out the business of general insurance. Another investment by way of a 25% stake in IVALIFE Limited, a new life insurance company, should add long-term value both to MaltaPost shareholders as well as the community at large.

The Company continues to play a central role in the Maltese economy and in the daily life of the community. The shift to an increasingly ecommerce-oriented environment underlines the need for us to continuously adapt our local and international product and service offerings six days a week. All this needs to be done within a regulated tariff framework which is not highly responsive to market changes and realities. To date, and despite being an island nation and therefore dependent on international flight connections, our tariffs remain the lowest in Europe.

Further investment in our IT infrastructure as well as in our delivery network continued to enable the Company to efficiently handle the demands stemming from the consistent and accelerated changes experienced in the last mile delivery. Concurrently, we continue to increase our branch network so as to meet customer expectations and facilitate the introduction of new services.

Following the implementation of certain postal tariff revisions, the Company still awaits the approval of the Malta Communications Authority to implement the 3rd step of the pricing revision originally proposed in 2018. This revision is necessary to address the loss-making services we provide under the Universal Service Obligation as a result of the year-on-year shrinkage in Letter Mail volumes as well as the impact of ever-increasing labour costs.

Much of the focus of our management team during the second half of this financial year centred on managing the impact and hazards of the pandemic. With satisfaction I report that the Company took all necessary mitigating actions at very short notice so as to ensure business continuity while also giving utmost priority to the health and safety of our staff members and customers. Across the Group, staff members, led by a strong and competent management team have worked incredibly hard, not in the easiest of conditions, to maintain a smooth collection and delivery process. No branch was closed, while mail was delivered every single day – six days a week. For all this, the Board of Directors thanks them most heartily.

MaltaPost continues to look responsibly at its key role as Malta's leading postal services company and remains committed to provide a range of efficient and affordable quality services while also driving diversification initiatives. Employing a workforce of over 810 people is a responsibility we do not take lightly and we consider it our duty to provide a rewarding workplace for our hard-working team while delivering a satisfactory return to our shareholders.

Chairman's statement to the members

On behalf of the Board, I also express my gratitude to my fellow Directors for their valued contribution throughout the year. I also thank our customers for their continued trust and confidence and you, the Company's shareholders, for your continued support.

By remaining sensitive to industry trends and responsive to investment opportunities we are confident that MaltaPost's future continues to be a bright one.

Thank you

Joseph Said
Chairman

Chief Executive Officer's review of operations

The results of the MaltaPost Group for the financial year ended 30 September 2020 combine the financial performance of MaltaPost p.l.c., its subsidiary company Tanseana Limited (Tanseana) and its associate company IVALIFE Limited.

FINANCIAL PERFORMANCE

Group Profit before tax decreased by 7% to €2.78 million when compared to last year's €2.98 million, while earnings per share remain constant at €0.05.

Group Revenue for the year remained stable at €34.09 million (2019: €34.38 million). Postal revenue represented 87% of total revenue, while the balance stemmed from non-postal income such as document management services, bill collection and financial services.

Group Total expenses stood at €31.72 million (2019: €31.70 million) while labour costs decreased by 6% to €15.17 million (2019: €16.08 million) as a result of judicious cost management initiatives and as a consequence of the reduction in postal volumes handled during the second half of the financial year.

Our share of the loss registered by IVALIFE Limited, equating to €151k, was charged against the Group's annual profits.

The outbreak of the COVID-19 pandemic in Malta in March, came at the end of a successful first six months of our financial year. The three months which followed saw a drastic and sudden drop in Company revenues due to a sudden decrease in postal volumes on all fronts. This was attributed to the general slowdown in the level of economic activity as a consequence of the national measures taken to mitigate the spread of the pandemic, including the closure of the Malta International Airport for three whole months. This closure had a major impact on our ability to connect to the international postal network. The re-opening of the airport on 1 July 2020, albeit with a greatly reduced flight network, brought some respite. However, reduced postal volumes persisted when compared to the previous year due to the lack of international flights and the adverse impact on the global supply chain. The increase in tariffs for the Domestic Single Piece and Bulk Mail rates implemented in January 2020 failed to adequately compensate us for the year-on-year decline in Letter Mail volumes. A decline that has since been further accelerated by the pandemic. Notwithstanding this revision, the tariffs of Letter Mail services in Malta remain the lowest in the European region. Government`s decision to distribute vouchers to all entitled residents via registered letter mail during the months of July and August provided a certain level of relief. This 'one-off' spike in volumes enabled us to maintain a reasonably stable financial performance towards the end of our financial year.

OPERATIONAL PERFORMANCE

During the pandemic, we placed the health and well-being of our staff members and customers at the centre of every decision made while fully respecting the directives issued by Government and the Health Authorities. We were suitably stocked with the required personal protective equipment which was issued to all entitled employees. We also leased five additional hubs at short notice so as to reduce staff concentration within our last mile delivery hubs. As the provider of an essential service, we remained a key partner in Government's response to the pandemic and this was formally recognised by the President of Malta, Government and the National Health Authorities.

As a consequence of the pandemic, the International Postal Network was throughout the second half of the financial year conditioned by the lack of cross-border air transportation. The widespread cancellation of international flights resulted in unpredictability and often also brought with it delays in the flows of mail. This disruption is expected to continue in the coming months

Chief Executive Officer's review of operations

until airlines resume normal operations and sufficient air transport capacity becomes available so as to meet demands.

The pandemic accelerated the annual rate of decline in local traditional Letter Mail volumes, a fact also experienced throughout the international postal sector. This, coupled with the challenges to recruit and retain staff, contributed to an increased cost of the last mile delivery, rendering segments of our Universal Service Obligation unsustainably onerous within a scenario where the number of delivery addresses continues to rise. Concurrently, efficiency improvement efforts continued on various fronts. Digital transformation is not only facilitating access to our products and services but also assisting us to meet ever-growing local and international customer expectations.

In contrast to the traditional Letter Mail volumes, the growing parcel business is attracting strong local and international competition. This is creating undue pressure on both tariffs and quality of service requirements. We have seen significant growth in our Sendon and E-Seller volumes as we remain committed to be the partner of choice within the last mile delivery in Malta. We are re-engineering our delivery operation so as to increase processing, transportation and delivery capacity and efficiency. We continued to invest in our last mile delivery network through the purchase of another 28 electric vehicles which should help improve the well-being of our delivery staff.

The Post Office continues to play a vital role in the heart of the community. We are proud that our network remained open for business throughout the most challenging times of the pandemic. With a branch in almost every locality our network and reach is one of the largest in the Maltese Islands. Our commitment to make postal services more accessible to our customers remains resolute and we continue to invest in new branches and other collection points.

NEW PROJECTS AND INTIATIVES

A new branch opened for business in Sliema in August while new properties in Attard and Fgura were secured to open branches in these localities. The one in St. Julians is being refurbished while a new one in Zejtun is under construction.

Additionally, the spread of our 24/7 EasiPik lockers covers 20 different localities. We increased our locker capacity in busy locations to meet additional take-up. The costs involved to provide this 24/7 Parcel Locker service are met by the Company and the service is available free of charge to all our customers.

Effective April 2020, we created the facility for customers to buy postage stamps, as well as pay for any delivery, customs clearance fees and related tax dues through a new online facility.

As from last June, those branches offering cheque encashment extended the service to include all cheques issued by the Central Bank of Malta.

As one of Malta's largest employers, with over 810 members of staff, we strive to provide our employees with adequate financial compensation while meeting their general work/life balance expectations. To this effect, we negotiated a new Collective Agreement whereby all staff had their remuneration improved, together with the introduction of a number of skills and performance-related financial incentives. Notwithstanding this, staff recruitment and retention still remains a challenge.

CORPORATE SOCIAL RESPONSIBILITY

As in past years, during 2020, the Group supported the Malta Community Chest Fund, Id-Dar tal-Providenza and other social and cultural organisations.

Chief Executive Officer's review of operations

We also continue to preserve Malta's postal heritage by supporting the running of the Malta Postal Museum.

We are also committed to reduce our carbon footprint by minimising impact on the environment while improving our last mile delivery network through the expansion of our fleet of electric vehicles.

OUTLOOK

The outlook for the coming year is definitely set to be challenging and difficult to forecast. The COVID-19 pandemic containment measures shall continue to dampen economic activity and are expected to impact consumption in the short-term resulting in a reduction in traditional postal volumes and associated revenue. Historical declines in traditional Letter Mail were also accelerated as a consequence of the pandemic. We do however expect to see growth in the parcel business.

We continue to sustain our core postal business by striving to deliver services of the highest quality within the constraints of the new normality, while managing costs within a highly regulated framework where tariff revisions require the approval of the Malta Communications Authority. We remain in discussion with the Authority and await their approval to implement the 3rd step of the pricing revision originally approved in 2018. We are also in discussions with the Regulator to revise outbound tariffs to address the substantial increase in cross-border mail costs as recently introduced by the Universal Postal Union. The Company just cannot continue to support loss making services it is obliged to provide under the Universal Service Obligation, as these services place a significant burden on our performance and financial results.

We shall continue to structure the business to meet the shifts in the last mile delivery in line with the evolving demands of our customers. Our vision is to be the partner of choice in the last mile delivery in Malta while continuing to meet the Universal Service Obligation. To this end, we have in place a dedicated management team that, together with a committed staff complement, have delivered satisfactory results in these extraordinary circumstances, while also meeting our customers' expectations.

We shall also continue to manage the other non-postal sectors of the business to further supplement our core activity with distinct revenue streams. We are confident that our diversification into logistics, document management, insurance and financial services bodes well for the future and shall provide a fair return on investment. The foundations are laid to make the Company stronger.

Finally, I wish to formally thank the Chairman and the Board of Directors for their strategic guidance and support throughout this unprecedented and challenging year.

Joseph Gafa'
Chief Executive Officer

Directors' report

For the year ended 30 September 2020

The Directors present their annual report and the consolidated audited financial statements of MaltaPost p.l.c. for the year ended 30 September 2020.

PRINCIPAL ACTIVITIES

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

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 operates a network of 40 Post Offices and 26 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.

IVALIFE Limited, a company 25% owned by MaltaPost p.l.c. was registered end of 2019 with the intention to commencing operations early 2021. The company was established to provide Class I and Class III long term business of insurance. It has received an in principle undertaking from the Malta Financial Services Authority with pending licensing.

REVIEW OF PERFORMANCE

Profit before tax decreased by 7% to €2.78 million when compared to last year's €2.98 million, resulting in an Earnings per Share of €0.05.

Revenue remained stable at €34.09 million (2019: €34.38 million). Postal revenue represented 87% of total revenue, while the balance stemmed from non-postal services such as document management, bill collection and financial services.

Total expenses remained stable at €31.72 million (2019: €31.70 million). Employee expenses decreased by 6% to €14.94 million (2019: €16.08 million) as a result of cost management initiatives as a consequence of a reduction in volumes handled during the COVID-19 pandemic as further amplified at the latter part of this report.

A 25% share of the loss registered by the associated company IVALIFE Limited of €151k was charged against the Group's annual profits.

Remuneration policy

Details of total employee expense for the year and the average number of persons employed by the Company, including part-timers, during the year is included in Note 22 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 22. The Remuneration Report will be subject to an advisory vote at the forthcoming Annual General Meeting.

Social and employee matters

The Company is aware that a professional approach to appointments within the Company helps it to attract those individuals having the necessary qualifications, 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.

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 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.

Taking cognisance of the Company's size and business model, it 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. It 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 diversified 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 Company remains committed to achieving further diversity among its Board members.

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 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 special needs far 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.

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. in terms of paragraph 10 of the Sixth Schedule (Article 177) of the Companies Act Cap. 386.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

Traditional mail evolution

The decline in domestic demand for letter-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.

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.

RESULTS AND DIVIDENDS

The income statements are set out on page 37. The Directors recommend the payment of a final net dividend of €0.04 per share amounting to €1,506,189 (2019: €1,506,189).

CAPITAL

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)
David P. Attard
James Dunbar Cousin
Eugenio Farrugia
Graham A. Fairclough
Paul Muscat
Aurelio Theuma

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 disclosed under 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 2020 are included in the Annual Report 2020, 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.

STATEMENT OF THE DIRECTORS PURSUANT TO LISTING RULE 5.68

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 2020, 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.

INFORMATION PROVIDED IN ACCORDANCE WITH LISTING RULE 5.70.1

There were no material contracts to which the Company or any of its subsidiaries were a party, and in which any one of the Company Directors was directly or indirectly interested, except for transactions listed in the notes to the financial statements.

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.

NON-FINANCIAL INFORMATION

Information in respect of the above matters is disclosed within the Directors' Report in the Annual Report and Financial Statements of the Company's parent i.e. Lombard Bank Malta p.l.c.

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 2020 and 7 December 2020.

OTHER INFORMATION

COVID-19 PANDEMIC

The Company issued two Company Announcements on 13 April 2020 and 8 May 2020, in which the impact which the COVID-19 pandemic was having on the Company's operations was highlighted.

It was confirmed that the Company had put in place its contingency plans within its overall Risk Assessment Policies together with the recommendations issued by Government of Malta, the Public Health Authorities as well as other regulators.

The Company was able to maintain all the services normally provided and its national network of offices remained fully functional, although circumstances dictated that certain measures had to be taken and some delays experienced. During these challenging times, staff members showed loyalty and dedication to duty and we continued to place their Health and Safety together with their well-being on the priority list.

The sharp decline in flight connections to and from Malta has affected certain areas of operational activity and inevitably this had a negative impact on some of the more important revenue streams. In part this was mitigated through the efficient and judicious management of costs, as well as other related efficiencies.

What lies ahead in terms of the full impact which the pandemic may have on the Company's fundamentals is next to impossible to foresee, since developments continue to unfold daily. However, the Company continues to monitor developments on a day-to-day basis and update its contingency plans as circumstances dictate, following upon frequent and rigorous risk assessment exercises being carried out.

In this respect, the Company is cognisant of its obligations towards all its stakeholders and this remains a priority at all times.

Any material developments will be advised as they occur through Company Announcements and/or interim Directors' Financial Reporting Disclosures.

AUDITORS

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

By order of the Board

Joseph Said Chairman	Aurelio Theuma Director

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

21 December 2020

Statement of compliance with the principles of good corporate governance

For the year ended 30 September 2020

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, the Assets and Liabilities 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 intended 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
David P. Attard	16 January 2015
James Dunbar Cousin	27 February 2018
Graham A. Fairclough	27 February 2018
Eugenio Farrugia	1 October 2016
Paul Muscat	15 November 2017
Aurelio Theuma	8 October 2007

Joseph Said is an Executive Director of the ultimate controlling shareholder, while David P. Attard, Graham A. 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 non-Executive Directors of the Company and in determining independence or otherwise, the Board has taken into consideration the relevant Code provisions. David P. Attard is an Executive Director.

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;

h. delegating specific responsibilities to committees, notably the Audit and Risk Committee, the Assets and Liabilities Committee and the Remuneration Committee.

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	8
Graham A. Fairclough	8
Eugenio Farrugia	8
Paul Muscat	8
Aurelio Theuma	8

Both strategic and operational matters 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. Additionally, Directors have access to Senior Executives to update and develop their skills as considered appropriate.

PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

Vide under Non-Compliance within the Code Section.

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), James Dunbar Cousin together with Aurelio Theuma.

In terms of Listing Rule 5.117 both Paul Muscat and Aurelio Theuma are competent in Accounting and/or Auditing on the basis that they are both Certified Public Accountants. Furthermore 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 seven (7) 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. The Chairman of the Audit and Risk Committee also met up with the Executive Director, Chief Financial Officer and Chief Internal Audit Officer regularly.

ASSETS AND LIABILITIES COMMITTEE

Membership of this Committee is made up of a non-Executive Director, the Chief Executive Officer and the Chief Financial Officer and chaired by the Executive Director. Its main objective is to manage risks and maximise returns by efficient and judicious management of the Company's assets and liabilities. A senior official of the Finance Department acts as a secretary to the Committee.

REMUNERATION COMMITTEE

The report by the Remuneration Committee in terms of Code Provision 8.A.4 is presented on pages 21-23. 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.

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 dealings in securities and which has been adopted and implemented in conformity with The Market Abuse Laws and Regulations, 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 2020 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 2020 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 lifestyles 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, and the Maltese Companies Act (Cap. 386) 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 in place will be kept under review.

PRINCIPLE 7: EVALUATION OF BOARD'S PERFORMANCE

The Company Secretary arranges for a "Board Effectiveness Questionnaire" which is completed by each Board Member and the findings are analysed by him in liaison with the Chairman. Similarly, an "Effectiveness Questionnaire" is also arranged for the Audit and Risk Committee, by the Company Secretary in liaison with the Chairman rather than by a Committee chaired by a Non-Executive Director as stipulated by the code.

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's Senior Management and the Non-Executive Directors maintain an open dialogue to cater for any such conflicts.

TheCompany also maintains an open channel of communication with its shareholders through the Company Secretarial Office.

C. INTERNAL CONTROL (LISTING RULE 5.97.4)

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 but 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.

D. GENERAL MEETINGS (LISTING RULE 5.97.6)

A General Meeting is conducted in conformity with the Articles of Association of the Company and is called by giving at least 21 days notice.

The Ordinary Business conducted at the Annual General Meeting consists of receiving or adoption of the Annual Financial Statement, the Declaration of a Dividend, the Appointment and Remuneration of Directors, the Appointment of the External Auditors, as well as the Authority to the Board to fix the external Auditors' emoluments.

All shareholders on the shareholders register on the record date as defined in the Listing Rules, have the right to attend, participate and vote at the General Meeting.

A member or members holding not less than five per cent (5%) of the voting issued share capital of the Company may:

a. request the Company to include items on the agenda of the General Meeting provided that each item is accompanied by a justification or a draft resolution to be adopted at the General Meeting; and

b. table draft resolution for items included in the agenda of a General Meeting. Such requests are to be received by the Company at least forty-six (46) days before the date set for the relative General Meeting.

Every person entered into the register of members shall be entitled to appoint only one (1) person to act as proxy holder to attend and vote at a General Meeting instead of him. The proxy holder shall enjoy the same rights to speak and ask questions in the General Meeting as those to which the member thus represented would be entitled.

Approved by the Board of Directors on 21 December 2020 and signed on its behalf by:

Joseph Said
Chairman

Aurelio Theuma
Director

Remuneration report

For the year ended 30 September 2020

MEMBERSHIP AND TERMS OF REFERENCE

The following Directors of MaltaPost p.l.c. make up the Remuneration Committee: Paul Muscat (Chairman), Eugenio Farrugia, Aurelio Theuma and David P. Attard. The Remuneration Committee is tasked with maintaining 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 to the Board of Directors remuneration packages for all Directors and Senior Management.

MEETINGS

During the financial year ended 30 September 2020 the Remuneration Committee met two (2) times and these were attended by all members to discuss the following matters:

- Review of the Terms of Reference of the Committee and Remuneration Policy
- Review of the Remuneration Policy for Directors
- Proposed Salaries and Discretionary Bonuses

REMUNERATION – DIRECTORS

The last Annual General Meeting approved the Remuneration Policy for Directors and all remuneration for directors was in conformity with that policy. Furthermore, the last Annual General Meeting approved the amount of seventy five thousand euro (€75,000) 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 2019/2020 are specified below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€59,600	None	None	None

Remuneration report

For the year ended 30 September 2020

Directors' emoluments paid for financial year 2019/2020 were as follows:

Joseph Said	€	17,000
David P. Attard	€	7,100
James Dunbar Cousin	€	7,100
Graham A. Fairclough	€	7,100
Eugenio Farrugia	€	7,100
Paul Muscat	€	7,100
Aurelio Theuma	€	7,100
Total	€	59,600

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, during financial year 2019/2020, the Executive Director was paid by the parent company, who in turn recharged MaltaPost €98,664 for his role. The total emoluments received by the Chief Executive Officer for this financial year amounted to €102,501.

REMUNERATION - SENIOR EXECUTIVES

All references to 'Senior Executives' in this report refer specifically to 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 2020.

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.

Remuneration report

For the year ended 30 September 2020

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 2019/2020 are as detailed below:

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€234,400	€20,000	None	See below*

The foregoing Remuneration Report is being put forward to an advisory vote of the 2021 Annual General Meeting in accordance with the requirements of the MFSA listing rule 12.26 L.

Joseph Said
Chairman

Aurelio Theuma
Director

*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 Malta's leading Logistics Company delivering excellence in customer experience globally.

MISSION STATEMENT

To exceed customers' expectations by providing high quality, cost-effective logistical and diversified services.

COMPANY REGISTRATION NUMBER: C22796

REGISTERED OFFICE:

305, Qormi Road, Marsa MTP 1001, Malta
(+356) 2122 4421 (Tel)
(+356) 2122 6368 (Fax)
(+356) 80072244 (Freephone)
info@maltapost.com
www.maltapost.com

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

	30 September 2020	7 December 2020
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

CHIEF OFFICERS

Joseph Gafa`	Chief Executive Officer
Carmen Ellul	Chief Internal Audit Officer
Ian Lucas	Chief Financial Officer
Adrian Vassallo	Chief Operating Officer

CONSULTANT RETAIL OPERATIONS
Ray Briffa

HEADS OF DEPARTMENTS

Edwin Abdilla	Mail Services
Johan Attard	Finance - Management and Regulatory Accounts
David Borg	Corporate Security
Lara Bugeja	Malta Postal Museum Curator
Antoinette Camilleri	Corporate Office & Investors Relations
Stefania Camilleri	Human Resources
Robert Cassar	Business Relations
Charles Cilia	Logistics and eCommerce Services
John Cremona	Support Services
Paul Curmi	Document Management Services
Derian Debattista	Health and Safety
Steffan Galea	Information Technology
Albert Gouder	Retail Network
Darren Micallef	Finance - Financial Accounts and Control
Joswill Micallef	Business Software Applications
Patrick Polidano	Quality Assurance
Kenneth Spiteri	Business Process Design
Michael Spiteri	Risk and Compliance
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 2020, 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 35 to 96, comprise:

- the Consolidated and Parent Company statements of financial position as at 30 September 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

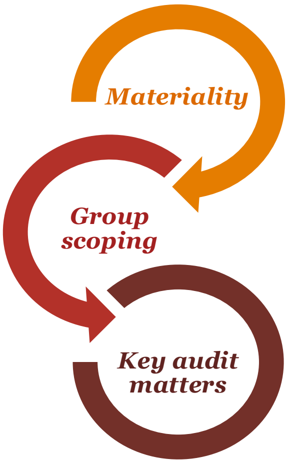
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiary are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281). The non-audit services that we have provided to the Group and the Parent Company, in the period from 1 October 2019 to 30 September 2020, are disclosed in Note 21 to the financial statements.

Independent auditor's report - continued

To the Shareholders of MaltaPost p.l.c.

Our audit approach

Overview



Overall group materiality: €145,000, which represents approximately 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	€145,000
How we determined it	Approximately 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 quantitative materiality thresholds that we consider acceptable.

Independent auditor's report

To the Shareholders of MaltaPost p.l.c.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €14,500 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
Risk of fraud in 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 IFRS 15 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 from terminal dues, consisting of remuneration for processing and delivering postal 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

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 20 of the financial statements*	in respect of cash counts and stock counts covering the retail sales business. 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 tests such 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 this key audit matter, we found no significant exceptions in our controls testing and no material misstatements were identified in our substantive testing.

Independent auditor’s report

To the Shareholders of MaltaPost p.l.c.

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.

Other information

The Directors are responsible for the other information. The other information comprises the *Directors’ report*, the *Chairman’s statement to the members, the Chief Executive Officer’s review of operations*, the *Company information*, the *Five year summary*, the *Financial highlights in major currencies* and the *Supplementary information* (but does not include the financial statements and our auditor’s report thereon). 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 Maltese 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 Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the 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. 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 and the Parent Company'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 or to cease operations, or have 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 or the Parent Company'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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent Company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- 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.

Independent auditor's report

To the Shareholders of MaltaPost p.l.c.

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, actions taken to eliminate threats or safeguards applied.

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 14 to 20 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Independent auditor's report - continued

To the Shareholders of MaltaPost p.l.c.

Report on the remuneration report

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare a Remuneration Report which includes the disclosures listed in Appendix 12.1 of the Listing Rules.

We are required to assess whether the information that should be provided within the Remuneration Report, as required by the Listing Rules, has been included.

In our opinion, the Remuneration Report set out on pages 21 to 23 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.
- under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Group on 1 May 1998. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 22 years. The Parent Company became listed on a regulated market on 24 January 2008.

PricewaterhouseCoopers
78, Mill Street,
Zone 5, Central Business District,
Qormi, CBD 5090
Malta

Simon Flynn
Partner

21 December 2020

MaltaPost p.l.c.

FINANCIAL STATEMENTS

30 September 2020

2020

Statements of financial position

	Notes	Group		Company	
		As at 30 September			
		2020 **€'000**	2019 €'000	**2020** **€'000**	2019 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**18,749**	17,903	**18,749**	17,903
Right-of-use assets	5	**1,805**	-	**1,805**	-
Intangible assets	6	**948**	688	**948**	688
Investment in subsidiary	7	**-**	-	**1**	1
Investment in associate	8	**248**	-	**399**	-
Financial assets at fair value through other comprehensive income	9	**3,561**	3,925	**3,561**	3,925
Deferred tax asset	10	**448**	543	**448**	543
Total non-current assets		**25,759**	23,059	**25,911**	23,060
Current assets					
Inventories	11	**719**	664	**719**	664
Trade and other receivables	12	**8,410**	9,484	**8,410**	9,484
Current tax asset		**-**	193	**-**	193
Deposits with financial institutions	13	**5,600**	4,700	**5,600**	4,700
Cash and cash equivalents	14	**6,058**	5,065	**6,072**	5,046
Total current assets		**20,787**	20,106	**20,801**	20,087
Total assets		**46,546**	43,165	**46,712**	43,147

Statements of financial position *- continued*

		Group		Company	
		As at 30 September			
	Notes	**2020**	2019	**2020**	2019
		€'000	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**9,414**	9,414	**9,414**	9,414
Share premium	15	**7,367**	7,367	**7,367**	7,367
Other reserves	16	**2,586**	2,630	**2,586**	2,630
Retained earnings		**7,802**	7,545	**7,924**	7,528
Total equity		**27,169**	26,956	**27,291**	26,939
Non-current liabilities					
Deferred tax liability	10	**1,028**	1,028	**1,028**	1,028
Lease liabilities	17	**1,549**	-	**1,549**	-
Provision for liabilities and charges	18	**1,586**	1,827	**1,586**	1,827
Total non-current liabilities		**4,163**	2,855	**4,163**	2,855
Current liabilities					
Lease liabilities	17	**265**	-	**265**	-
Provision for liabilities and charges	18	**142**	182	**142**	182
Trade and other payables	19	**13,963**	13,168	**14,015**	13,171
Current tax liability		**844**	4	**836**	-
Total current liabilities		**15,214**	13,354	**15,258**	13,353
Total liabilities		**19,377**	16,209	**19,421**	16,208
Total equity and liabilities		**46,546**	43,165	**46,712**	43,147

The notes on pages 42 to 96 are an integral part of these financial statements.

The financial statements on pages 35 to 96 were authorised for issue by the Board on 21 December 2020 and were signed on its behalf by:

Joseph Said
Chairman

Aurelio Theuma
Director

Income statements

	Notes	Group		Company	
		Year ended 30 September			
		2020	2019	**2020**	2019
		€'000	€'000	**€'000**	€'000
Revenue	20	**34,087**	34,382	**34,087**	34,382
Employee benefits expense	22	**(15,171)**	(16,075)	**(15,171)**	(16,075)
Depreciation and amortisation expense	21	**(1,496)**	(1,019)	**(1,496)**	(1,019)
Other expenses	21	**(15,056)**	(14,602)	**(15,075)**	(14,615)
Other income	23	**480**	100	**480**	100
Operating profit		**2,844**	2,786	**2,825**	2,773
Share of results of associate	8	**(151)**	-	**-**	-
Finance costs	17	**(62)**	-	**(62)**	-
Finance income	24	**149**	191	**149**	191
Profit before tax		**2,780**	2,977	**2,912**	2,964
Tax expense	25	**(1,017)**	(1,027)	**(1,010)**	(1,022)
Profit for the year		**1,763**	1,950	**1,902**	1,942
Earnings per share	27	**€0.05**	€0.05		

The notes on pages 42 to 96 are an integral part of these financial statements.

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 30 September			
		2020	2019	**2020**	2019
		€'000	€'000	**€'000**	€'000
Comprehensive income					
Profit for the year		**1,763**	1,950	**1,902**	1,942
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
(Losses)/gains from changes in fair value:					
Financial assets at fair value through other comprehensive income	9	**(131)**	188	**(131)**	188
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit obligations	18	**133**	(146)	**133**	(146)
Income tax relating to components of other comprehensive income:					
Remeasurements of defined benefit obligations	10	**(46)**	54	**(46)**	54
Total other comprehensive income for the year		**(44)**	96	**(44)**	96
Total comprehensive income for the year		**1,719**	2,046	**1,858**	2,038

The notes on pages 42 to 96 are an integral part of these financial statements.

Statements of changes in equity

Group		Attributable to equity shareholders				
	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 October 2018		9,414	7,367	2,534	7,101	26,416
Comprehensive income						
Profit for the year		-	-	-	1,950	1,950
Other comprehensive income						
Financial assets at fair value through other comprehensive income: Gains from changes in fair value	9	-	-	188	-	188
Remeasurements of defined benefit obligations	18	-	-	(146)	-	(146)
Deferred tax thereon	10	-	-	54	-	54
Total other comprehensive income		-	-	96	-	96
Total comprehensive income		-	-	96	1,950	2,046
Transactions with owners						
Dividends	28	-	-	-	(1,506)	(1,506)
Total transactions with owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2019		**9,414**	**7,367**	**2,630**	**7,545**	**26,956**
Balance at 1 October 2019		9,414	7,367	2,630	7,545	26,956
Comprehensive income						
Profit for the year		-	-	-	1,763	1,763
Other comprehensive income						
Financial assets at fair value through other comprehensive income: Losses from changes in fair value	9	-	-	(131)	-	(131)
Remeasurements of defined benefit obligations	18	-	-	133	-	133
Deferred tax thereon	10	-	-	(46)	-	(46)
Total other comprehensive income		-	-	(44)	-	(44)
Total comprehensive income		-	-	(44)	1,763	1,719
Transactions with owners						
Dividends	28	-	-	-	(1,506)	(1,506)
Total transactions with owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2020		**9,414**	**7,367**	**2,586**	**7,802**	**27,169**

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 2018		9,414	7,367	2,534	7,092	26,407
Comprehensive income						
Profit for the year		-	-	-	1,942	1,942
Other comprehensive income						
Financial assets at fair value through other comprehensive income: Gains from changes in fair value	9	-	-	188	-	188
Remeasurements of defined benefit obligations	18	-	-	(146)	-	(146)
Deferred tax thereon	10	-	-	54	-	54
Total other comprehensive income		-	-	96	-	96
Total comprehensive income		-	-	96	1,942	2,038
Transactions with owners						
Dividends	28	-	-	-	(1,506)	(1,506)
Total transactions with owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2019		**9,414**	**7,367**	**2,630**	**7,528**	**26,939**
Balance at 1 October 2019		9,414	7,367	2,630	7,528	26,939
Comprehensive income						
Profit for the year		-	-	-	1,902	1,902
Other comprehensive income						
Financial assets at fair value through other comprehensive income: Losses from changes in fair value	9	-	-	(131)	-	(131)
Remeasurements of defined benefit obligations	18	-	-	133	-	133
Deferred tax thereon	10	-	-	(46)	-	(46)
Total other comprehensive income		-	-	(44)	-	(44)
Total comprehensive income		-	-	(44)	1,902	1,858
Transactions with owners						
Dividends	28	-	-	-	(1,506)	(1,506)
Total transactions with owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2020		**9,414**	**7,367**	**2,586**	**7,924**	**27,291**

The notes on pages 42 to 96 are an integral part of these financial statements.

Statements of cash flows

	Note	Group		Company	
		Year ended 30 September			
		2020	2019	**2020**	2019
		€'000	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash from customers		**37,486**	34,111	**37,486**	34,111
Cash paid to suppliers and employees		**(30,722)**	(29,669)	**(30,692)**	(29,584)
Cash flows attributable to funds collected on behalf of third parties		**(777)**	(8,026)	**(777)**	(8,026)
Cash generated from/(used in) operating activities		**5,987**	(3,584)	**6,017**	(3,499)
Net income tax refunded/(paid)		**69**	(944)	**72**	(941)
Net cash generated from/(used in) operating activities		**6,056**	(4,528)	**6,089**	(4,440)
Cash flows from investing activities					
Interest charges on lease liabilities		**(62)**	-	**(62)**	-
Interest received		**169**	180	**169**	180
Purchase of property, plant and equipment		**(1,638)**	(1,225)	**(1,638)**	(1,225)
Purchase of intangible assets		**(694)**	(521)	**(694)**	(521)
Purchase of financial assets at fair value through other comprehensive income		**-**	(225)	**-**	(225)
Purchase of investment in associate		**(399)**	-	**(399)**	-
Proceeds from disposals/redemptions of financial assets at fair value through other comprehensive income		**231**	313	**231**	313
Maturity of deposits with financial institutions		**-**	14	**-**	14
Placements of deposits with financial institutions		**(900)**	-	**(900)**	-
Net cash used in investing activities		**(3,293)**	(1,464)	**(3,293)**	(1,464)
Cash flows from financing activities					
Principal element of lease payments		**(266)**	-	**(266)**	-
Dividends paid		**(1,504)**	(1,508)	**(1,504)**	(1,508)
Net cash used in financing activities		**(1,770)**	(1,508)	**(1,770)**	(1,508)
Net movement in cash and cash equivalents		**993**	(7,500)	**1,026**	(7,412)
Cash and cash equivalents at beginning of year		**5,065**	12,565	**5,046**	12,458
Cash and cash equivalents at end of year	14	**6,058**	5,065	**6,072**	5,046

The notes on pages 42 to 96 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 financial assets at fair value through other comprehensive income.

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 2020

In 2020, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group's accounting policies impacting the financial performance and position. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16, *Leases*, but recognised the cumulative effect of initially applying the new standard, on 1 October 2019. The new accounting policy is disclosed in Note 1.21. The impact of the adoption of this standard at Group and Company level is disclosed below. The other amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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 2019. 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.

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

c. Changes in accounting policies and disclosures

The Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.
The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019.

(i) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 3%.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 October 2019:

- right-of-use assets - increase by €2,080,000
- lease liabilities - increase by €2,080,000

The recognised right-of-use assets relate to the following types of assets:

	As at 30 September 2020 €'000	As at 1 October 2019 €'000
Properties	**1,548**	1,766
Motor vehicles	**257**	314
Total right-of-use assets	**1,805**	2,080

1. Summary of significant accounting policies - continued

Measurement of lease liabilities

	€'000
Operating lease commitments disclosed as at 30 September 2019	212
Add: adjustments as a result of different treatment of extensions	1,711
Discounted using the incremental borrowing rate at the date of initial application	157
Lease liabilities recognised as at 1 October 2019	**2,080**
Of which are:	
Current lease liabilities	290
Non-current lease liabilities	1,790
	2,080

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The income statement includes the following amounts relating to leases:

	As at 30 September 2020 €'000
Depreciation charge of right-of-use assets	
Properties	218
Motor vehicles	57
	275
Interest expense (included in finance cost)	**62**
Expense relating to short-term leases / leases of low value assets	**41**

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

Operating lease charges to be reflected within the profit and loss during the period from 1 October 2019 to 30 September 2020 utilising the accounting principles of IAS 17, had IFRS 16 not been adopted, would have amounted to €328,000 for the Group. Hence, EBITDA for the period ended 30 September 2020 has been impacted favourably by these amounts in view of the adoption of the requirements of IFRS 16.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 5 to 25 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the financial year ended 30 September 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

1.2 Consolidation

a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3, *Business Combinations*. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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 (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group

1. Summary of significant accounting policies - continued

recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest 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 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.

Upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are 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 an impairment in value. Where there has been an 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.

b. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured 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.

c. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. 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 the associate 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.

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.

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

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.

1.4 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.

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

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.

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

	%
Buildings	1
Fixtures, 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 artefacts are not depreciated. Artefacts are not depreciated since in the opinion of management, their residual value is not less than their original cost.

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;

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

- 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.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

1.7 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will

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

depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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 settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss, subject to materiality.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised,

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

the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.

- FVPL: assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in stage 1.

Financial assets in stage 1, have their expected credit loss measured at amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months, or until contractual maturity if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to stage 2 and its expected credit loss is measured on a lifetime basis, that is up until contractual maturity. If the Group determines that a financial asset is credit impaired, the asset is transferred to stage 3 and the expected credit loss is measured on a lifetime credit loss basis.

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

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.

1.9 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances in accordance with accounting policy 1.7. 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.

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

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.

1.14 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

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

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.

1.17 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

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

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.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. 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.

A contract asset must be recognised if the Company recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the Company fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative - possibly estimated - stand-alone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated stand-alone selling prices of the contractual performance obligations.

A contract modification exists where the Group and the customer approve a modification that either creates new, or changes existing, enforceable rights and obligations of both parties. The Group accounts for a contract modification as a separate contract where the scope of the contract increases because of the addition of distinct promised services, and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of those additional promised services. A modification that is not accounted for as a separate contract is accounted for as an adjustment to the existing contract, either prospectively or through a cumulative catch-up adjustment, depending on whether the remaining goods or services to be provided to the customer under the modified contract are distinct.

The Group measures revenue on a basis that reflects the amount of consideration that it expects to be entitled to; this measurement of revenue is however limited to amounts to which the Group has enforceable rights, and it excludes amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation, which occurs when it transfers control of a promised good or service to a customer. Control of a promised good or service is transferred to a customer when the customer is able to direct the use of the promised good or service. A performance obligation is satisfied at a point in time unless it meets certain criteria that indicate that it is satisfied over time.

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

Management has determined that none of the Group's contracts with customers contain a significant financing component as the period between the recognition of revenue and the payment due date is of less than one year.

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.

1.19 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance or prepaid stamps (previously recognised in deferred income).

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

1.21 Leases

The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in Note 1.1.

Until 30 September 2019, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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

The Group is the lessor

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.22 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.

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. Upon settlement of the dividend payable the Company recognises the difference between the carrying amount of the assets to be distributed and the carrying amount of the dividend payable in profit or loss.

1.23 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision-maker in accordance with the requirements of IFRS 8, *Operating Segments*. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

1.24 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), 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	
	2020	2019
	€'000	€'000
Financial assets		
Trade receivables		
SDR	**920**	722
Financial liabilities		
Trade payables		
SDR	**(3,911)**	(2,602)
Net exposure to foreign currency risk	**(2,991)**	(1,880)

2. Financial risk management - continued

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.

(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 financial assets at fair value through other comprehensive income, 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.

2. **Financial risk management** - continued

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 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Group		Company	
		2020	2019	**2020**	2019
		€'000	€'000	**€'000**	€'000
Financial assets:					
At fair value through other comprehensive income:					
Debt securities	9	**3,561**	3,925	**3,561**	3,925
At amortised costs					
Trade and other receivables	12	**7,809**	8,777	**7,809**	8,777
Deposits with financial institutions	13	**5,600**	4,700	**5,600**	4,700
Cash and cash equivalents	14	**6,058**	5,065	**6,072**	5,046
		23,028	22,467	**23,042**	22,448

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 figures disclosed in the table above in respect of trade and other receivables exclude prepayments and indirect taxation.

<u>Financial assets at fair value through other comprehensive income</u>

The Group's financial investments comprise listed sovereign debt securities having a carrying amount of €1.7 million (2019: €2.2 million) with a credit rating of A, as well as listed debt securities issued by corporates having a carrying amount of €0.6 million (2019: €0.6 million) with a credit rating of BBB. The remaining investments in listed debt instruments issued by local corporates with a carrying amount of €1.3 million (2019: €1.1 million) are unrated. Low credit risk simplification is applied for listed sovereign debt securities. Other listed debt securities are considered by the Directors to have low credit risk as the probability of default is considered to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, financial assets at fair value through other comprehensive income are classified under Level 1 and no loss allowance has been recognised based on 12-month expected credit loss, as any such impairment would be wholly insignificant to the Group and the Company.

2. **Financial risk management** - continued

Cash and cash equivalents and deposits with financial institutions

Entities forming part of the Group principally bank with local and European financial institutions with high-quality standing or rating. Balances are primarily callable on demand or within a maximum period of 1 week. Low credit risk simplification is applied and the Directors consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit loss as any such impairment would be wholly insignificant to the Group and the Company.

Amounts owed by related parties

The Group's receivables include amounts owed by related parties (Note 12). The Group monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Expected credit losses, based on the assumption that repayment of the balance is on demand, are deemed to be insignificant to the Group and the Company.

Trade and other receivables (including contract assets)

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.

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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts.

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

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

As at 30 September 2020 the Group was exposed to concentration of credit risk with 44% (2019: 43%) of its trade receivables being attributable to three (2019: three) postal administrators. The Group assesses the credit quality of these administrators by taking into account financial position, performance and other factors. The Group also takes cognisance of the fact that balances with postal administrators in respect of terminal dues are generally cleared and settled through a central clearing house which acts as a credit risk mitigant. Trade receivables include €5.3 million (2019: €6.9 million) terminal due receivables.

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances.

As at 30 September 2020, the Group had trade receivables amounting to €4,315,000 (2019: €3,911,000) which were fully performing whilst trade receivables amounting to €428,000 (2019: €281,000) were past due but not impaired. These dues relate to a number of independent parties for whom there is no recent history of default. Trade receivable amounting to €189,000 (2019: €173,000) were overdue by at least three months, whereas €239,000 (2019: €108,000) were overdue by at least nine months.

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

	Group and Company	
	2020	2010
	€'000	€'000
At 1 October	**77**	79
Increase in provisions	**27**	1
Reversal of provisions	**-**	(3)
At 30 September	**104**	77

As at 30 September 2020, the impact of the change in impairment methodology on the Company's retained earnings and equity, was insignificant.

2. Financial risk management - continued

Reversals of provisions for impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations.

The Group does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed above.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than a year past due.

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an expected credit loss provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

c. Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally lease liabilities and trade and other payables (Notes 17 and 19). 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. **Financial risk management** - continued

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.

2.3 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	
	2020	2019
	€'000	€'000
Assets:		
Financial assets at fair value through other comprehensive income:		
Debt securities (Note 9)	**3,561**	3,925

2. Financial risk management - continued

The fair value of financial assets at fair value through other comprehensive income 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.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these consolidated 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 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
Year ended 30 September 2019						
Opening net book amount	12,850	727	2,638	935	139	17,289
Additions	794	79	369	216	56	1,514
Disposals and write-offs	-	(10)	(39)	-	-	(49)
Depreciation	(45)	(81)	(281)	(439)	(54)	(900)
Depreciation released on disposals and write-offs	-	10	39	-	-	49
Closing net book amount	13,599	725	2,726	712	141	17,903
At 30 September 2019						
Cost or valuation	13,644	1,357	6,936	7,070	387	29,394
Accumulated depreciation	(45)	(632)	(4,210)	(6,358)	(246)	(11,491)
Net book amount	13,599	725	2,726	712	141	17,903
Year ended 30 September 2020						
Opening net book amount	13,599	725	2,726	712	141	17,903
Additions	618	120	248	370	385	1,741
Disposals and write-offs	-	(2)	(897)	(1,433)	(9)	(2,341)
Depreciation	(49)	(105)	(288)	(380)	(73)	(895)
Depreciation released on disposals and write-offs	-	2	897	1,433	9	2,341
Closing net book amount	**14,168**	**740**	**2,686**	**702**	**453**	**18,749**
At 30 September 2020						
Cost or valuation	14,262	1,475	6,287	6,007	763	28,794
Accumulated depreciation	(94)	(735)	(3,601)	(5,305)	(310)	(10,045)
Net book amount	**14,168**	**740**	**2,686**	**702**	**453**	**18,749**

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	
	2020	2019
	€'000	€'000
At 30 September		
Land and buildings	**1,153**	1,161
Furniture, fittings, artefacts and exhibits	**943**	1,095
	2,096	2,256

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. Management had reviewed the carrying amounts of the properties as at 30 September 2020 and no adjustments to the carrying amount were deemed necessary as at that date.

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.

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 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.
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 2019 and 30 September 2020.

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

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.

4. Property, plant and equipment - continued

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

	At 30 September 2020 and 2019			
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	14.2 million (2019: 13.6 million)	Adjusted sales comparison approach	Sales price per square metre	1,300 – 3,400

The Group's improvements to premises not owned by the Group, with a carrying amount of €715,000 (2019: €740,000), 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.

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

	Group and Company	
	2020	2019
	€'000	€'000
Cost	**11,555**	10,943
Accumulated depreciation	**(449)**	(405)
Net book amount	**11,106**	10,538

5. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Group and Company	
	As at 30 September 2020	As at 1 October 2019
	€'000	€'000
Properties	**1,548**	1,766
Motor vehicles	**257**	314
Total right-of-use assets	**1,805**	2,080

The movement in the carrying amount of these assets is analysed in the following table:

	Group and Company
	€'000
At 1 October 2019	2,080
Depreciation	(275)
At 30 September 2020	1,805

6. Intangible assets

Group and Company	Computer software €'000
Year ended 30 September 2019	
Opening net book amount	286
Additions	521
Amortisation	(119)
Closing net book amount	688
At 30 September 2019	
Cost	859
Accumulated amortisation	(171)
Net book amount	688
Year ended 30 September 2020	
Opening net book amount	688
Additions	586
Amortisation	(326)
Closing net book amount	**948**
At 30 September 2020	
Cost	1,445
Accumulated amortisation	(497)
Net book amount	**948**

7. Investment in subsidiary

	Company	
	2020	2019
	€'000	€'000
Cost and carrying amount at beginning and end of year	**1**	1

The carrying amount of the investment at 30 September 2020 and 2019 is equivalent to the cost of investment. The subsidiary at 30 September 2020 and 2019 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% of ordinary shares	Document management services

8. Investment in associate

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Year ended 30 September				
Additions	**399**	-	**399**	-
Share of results	**(151)**	-	**-**	-
Closing carrying amount	**248**	-	**399**	-
At 30 September				
Cost	**399**	-	**399**	-
Share of results	**(151)**	-	**-**	-
Carrying amount	**248**	-	**399**	-

The associate at 30 September 2020 is shown below:

Associate	Registered office	Percentage of shares and voting rights held	Nature of business
IVALIFE Limited	Gaba Buildings Level 2, Naxxar Road Iklin IKL 9026 Malta	25% of ordinary shares	Insurance

The associate has capital and reserves as at 30 September 2020 amounting to €897,735 and registered a loss for the year amounting to €602,265.

9. Financial assets at fair value through other comprehensive income

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

	Group and Company	
	2020	2019
	€'000	€'000
Financial assets at fair value through other comprehensive income:		
Non-current	**3,561**	3,925
Year ended 30 September		
Opening carrying amount	**3,925**	3,826
Additions	**-**	225
Disposals/redemptions	**(231)**	(313)
Net fair value movements (Note 16)	**(131)**	188
Amortisation	**(2)**	(1)
Closing carrying amount	**3,561**	3,925
At 30 September		
Amortised cost	**3,109**	3,342
Accumulated fair value gains	**452**	583
Carrying amount	**3,561**	3,925

Financial assets at fair value through other comprehensive income consist of debt securities listed on the Malta Stock Exchange. These debt securities are subject to fixed interest rates ranging from 3% to 6% (2019: 3% to 6%). The weighted average effective interest rate as at 30 September 2020 was 4% (2019: 4%). For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices.

10. 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% (2019: 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 2020 (2019: €1,028,000).

The balance at 30 September represents temporary differences attributable to:

	Group and Company	
	2020	2019
	€'000	€'000
Assets		
Reflected within profit or loss		
Depreciation of property, plant and equipment	**95**	128
Provisions	**36**	52
Reflected within other comprehensive income		
Provision for liabilities and charges	**317**	363
	448	543
Liabilities		
Reflected within other comprehensive income		
Fair valuation of land and buildings	**(1,028)**	(1,028)
	(1,028)	(1,028)

10. Deferred tax assets and liabilities - continued

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

	Group and Company	
	2020	2019
	€'000	€'000
Assets		
At beginning of year	**543**	582
Charge to profit or loss (Note 25)	**(49)**	(93)
(Charge)/credit to other comprehensive income (Note 16)	**(46)**	54
At end of year	**448**	543
Liabilities		
At beginning and end of year	**(1,028)**	(1,028)
Net deferred tax liability	**(580)**	(485)

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 16) and to provision for actuarial losses in respect of pension obligations (Note 18) respectively.

11. Inventories

	Group and Company	
	2020	2019
	€'000	€'000
Inventories for resale	**266**	232
Other inventory items	**282**	224
Stamps and postal stationery	**171**	208
	719	664

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

12. Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Current				
Trade receivables - gross	**3,579**	3,424	**3,579**	3,424
Provisions for credit loss	**(104)**	(77)	**(104)**	(77)
Trade receivables - net	**3,475**	3,347	**3,475**	3,347
Amounts due from parent undertaking	**36**	22	**36**	22
Amounts due from related undertakings	**1,232**	845	**1,232**	845
Contract assets	**3,066**	4,563	**3,066**	4,563
Prepayments and accrued income	**601**	707	**601**	707
	8,410	9,484	**8,410**	9,484

Amounts due from group and from related 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.

13. Deposits with financial institutions

	Group and Company	
	2020	2019
	€'000	€'000
Term placements	**5,600**	4,700

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

14. Cash and cash equivalents

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

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Cash and balances with banks	**6,058**	5,065	**6,072**	5,046

Cash and cash equivalents as at 30 September 2020 include amounts collected on behalf of third parties, amounting to €734,000 (2019: €1,520,000) as disclosed in Note 19.

15. Share capital

	Company	
	2020	2019
	€'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

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.

16. Other reserves

Group and Company

	Notes	Property revaluation reserve €'000	Investment fair value reserve €'000	Other reserve €'000	Total €'000
At 1 October 2018		2,712	395	(573)	2,534
Financial assets at fair value through other comprehensive income:					
Gains from changes in fair value	9	-	188	-	188
Remeasurements of defined benefit obligations:					
Actuarial losses	18	-	-	(146)	(146)
Deferred taxes	10	-	-	54	54
At 30 September 2019		2,712	583	(665)	2,630
At 1 October 2019		2,712	583	(665)	2,630
Financial assets at fair value through other comprehensive income:					
Losses from changes in fair value	9	-	(131)	-	(131)
Remeasurements of defined benefit obligations:					
Actuarial gains	18	-	-	133	133
Deferred taxes	10	-	-	(46)	(46)
At 30 September 2020		**2,712**	**452**	**(578)**	**2,586**

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.

16. Other reserves - continued

Fair value through other comprehensive income revaluation reserve.

The fair value reserve represents changes in fair value of financial assets measured at fair value through other comprehensive income 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 18) recognised in other comprehensive income in accordance with the Group's accounting policy, net of any related deferred tax impacts.

17. Lease liabilities

The lease liabilities associated with the recognised right-of-use assets are analysed below:

	Group and Company	
	As at 30 September 2020	As at 30 September 2019
	€'000	€'000
Non-current		
Properties	**1,349**	1,531
Motor vehicles	**200**	259
Total non-current lease liabilities	**1,549**	1,790
Current		
Properties	**208**	235
Motor vehicles	**57**	55
Total current lease liabilities	**265**	290
Total lease liabilities	**1,814**	2,080

Most extension options in property and motor vehicle leases have been included in the lease liability as the lease term reflects the exercise of such options.

17. Lease liabilities- continued

The total cash outflows for leases in 2020 was €328,000.

Included in lease liabilities for properties are amounts of €571,000 (1 October 2019: €614,000) which are attributable to arrangements with related parties.

The movement in the carrying amount of these assets is analysed in the following table:

	Group and Company
	€000
At 1 October 2019	2,080
Payments	(328)
Interest charge	62
At 30 September 2020	1,814

18. 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	
	2020	2019
	€'000	€'000
Present value of unfunded obligation	**3,873**	3,971
Crystallised obligation	**(1,446)**	(1,263)
Fair value of obligation to be reimbursed by Government	**(699)**	(699)
Provision reflected in financial statements	**1,728**	2,009

18. Provision for liabilities and charges - continued

The provision is analysed in the statement of financial position as follows:

	Group and Company	
	2020	2019
	€'000	€'000
Non-current	**1,586**	1,827
Current	**142**	182
	1,728	2,009

The movement for the year is made up of:

	Group and Company	
	2020	2019
	€'000	€'000
Charge to profit or loss	**(35)**	(41)
Credit/(Charge) to other comprehensive income (Note 16)	**133**	(146)
Crystallised obligation	**183**	142
	281	(45)

The amount recognised in other comprehensive income is as follows:

	Group and Company	
	2020	2019
	€'000	€'000
Net actuarial gains/(losses) - attributable to financial assumptions	**133**	(146)

Crystallised obligations relate to amounts which became payable as at the end of the reporting period. In computing the provision, the Group used a weighted average discount rate of 1.41% (2019: 0.73%). Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 83 (83 in 2019) 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.

19. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Current				
Trade payables	**5,698**	5,322	**5,635**	5,318
Amounts owed to subsidiary undertaking	**-**	-	**101**	110
Amounts collected on behalf of third parties (Note 14)	**734**	1,520	**734**	1,520
Amounts owed to related undertakings	**1,507**	1,263	**1,507**	1,263
Other payables	**18**	49	**18**	49
Indirect taxes and social security	**1,271**	359	**1,246**	316
Contract liabilities	**221**	118	**221**	118
Accruals and deferred income	**4,514**	4,537	**4,553**	4,477
	13,963	13,168	**14,015**	13,171

Amounts owed to subsidiary and to related undertakings are interest free, unsecured and repayable on demand.

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

20. Revenue

Revenue is analysed as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
By activity				
Postal	**29,594**	29,601	**29,594**	29,601
Philatelic	**242**	378	**242**	378
Other	**4,251**	4,403	**4,251**	4,403
	34,087	34,382	**34,087**	34,382
By geographical segments				
Local	**17,562**	17,874	**17,562**	17,874
International cross-border	**16,525**	16,508	**16,525**	16,508
	34,087	34,382	**34,087**	34,382

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.

21. Expenses by nature

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Employee benefits expense (Note 22)	**15,171**	16,075	**15,171**	16,075
Depreciation and amortisation (Notes 4, 5, 6)	**1,496**	1,019	**1,496**	1,019
Foreign direct mail costs	**8,901**	8,023	**8,901**	8,023
Property operating lease rentals	**46**	289	**46**	289
Motor vehicle operating lease and rental costs	**526**	628	**526**	628
Movement in provision for expected credit loss (Note 12)	**27**	(2)	**27**	(2)
Other expenses	**5,556**	5,664	**5,575**	5,677
	31,723	31,696	**31,742**	31,709

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

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**29**	29	**26**	26
Other assurance services	**16**	26	**16**	26
Tax advisory and compliance services	**5**	1	**4**	1
Other non-assurance services	**2**	33	**2**	33
	52	89	**48**	86

Other non-assurance services to the Company include advisory services related to the insurance license application.

22. Employee benefits expense

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,647**	14,405	**13,155**	13,866
Other staff costs	**387**	560	**925**	1,159
Social security and indirect tax	**1,137**	1,110	**1,091**	1,050
	15,171	16,075	**15,171**	16,075

Average number of persons employed during the year:

	Group		Company	
	2020	2019	**2020**	2019
Operational	**663**	702	**619**	650
Management	**57**	49	**57**	49
	720	751	**676**	699

23. Other income

	Group and Company	
	2020	2019
	€'000	€'000
COVID-19 wage supplement	**379**	-
Other grants	**101**	100
	480	100

The COVID-19 wage supplement represents funds received by the Company to provide employees with a minimum wage cover to address the disruption caused by the pandemic.

24. Finance income

	Group and Company	
	2020	2019
	€'000	€'000
Interest income from bank balances and debt securities	**149**	191

25. Tax expense

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Current tax expense	**968**	934	**961**	929
Deferred tax expense (Note 10)	**49**	93	**49**	93
Tax expenses	**1,017**	1,027	**1,010**	1,022

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

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Profit before tax	**2,780**	2,977	**2,912**	2,964
Tax at 35%	**973**	1,042	**1,019**	1,037
Tax effect of:				
Income taxed at different rates	**(36)**	(41)	**(36)**	(41)
Other differences	**80**	26	**27**	26
Tax expense	**1,017**	1,027	**1,010**	1,022

26. Directors' emoluments

	Group and Company	
	2020	2019
	€'000	€'000
Directors' fees	**60**	60

The Company paid insurance premia of €6,205 (2019: €5,500) during the year, in respect of professional indemnity.

27. 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	
	2020	2019
Profit attributable to equity holders (€'000)	**1,763**	1,950
Weighted average number of ordinary shares in issue (thousands)	**37,655**	37,655
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.

28. Dividends

	Company	
	2020	2019
	€'000	€'000
Dividends declared on ordinary shares	**1,506**	1,506
€ 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 2020 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 2021.

29. Commitments

Operating lease commitments

The Group leases various premises and other assets under operating leases. The future minimum lease payments under non-cancellable operating leases, with respect to property and motor vehicles, mainly having a term of five years, were as follows:

	Group and Company	
	2020	2019
	€'000	€'000
Current		
Within 1 year	-	41
Non-current		
Between 1 and 2 years	-	77
Between 2 and 5 years	-	94
	-	212

With effect from 1 October 2019, the Group has recognised right-of-use assets for leases, except for short-term and low-value leases, in accordance with the requirements of IFRS 16 (Note 5).

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounted to €900,000 (2019: €978,000).

The lease charge for those non-cancellable leases with a remaining lease term of less than 12 months amounted to €572,000 (2019: €683,000).

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 1.50% of its total gross revenue from postal services within the scope of the universal services.

29. Commitments - continued

Capital commitments

	Group and Company	
	2020	2019
	€'000	€'000
Authorised and contracted for:		
Property, plant and equipment	**260**	413
Investment in associate	**1,500**	-

30. Contingencies

As a result of its operations and activities in the ordinary course of business, the Group has, as at 30 September 2020, contingent liabilities arising from guarantees in favour of third parties and from performance bonds amounting to €131,000 (2019: €81,000);

31. Related party transactions

The following entities are considered to be related parties of the Company:

- Tanseana Limited (MaltaPost p.l.c.'s wholly-owned subsidiary)
- Redbox Limited (direct parent company)
- Lombard Bank Malta p.l.c. (indirect parent company)
- National Development and Social Fund
- all entities controlled by the above

Lombard Bank Malta p.l.c. (via its wholly-owned subsidiary Redbox Limited) holds 71.5% shareholding in MaltaPost p.l.c. In turn, the National Development and Social Fund (NDSF) holds 49.01% shareholding in Lombard Bank Malta p.l.c. Consequently, Government of Malta and other government entities are considered to be parties related to MaltaPost p.l.c. Nevertheless, in its Company Announcement, LOM 228, dated 10 August 2018, Lombard Bank Malta p.l.c., reported that:

Quote

The NDSF had reaffirmed that:

- *it does not intend to increase its holdings in the Bank;*
- *it shall not act in concert with any other shareholders;*

31. Related party transactions - continued

- *it will seek to reduce its shareholding in the Bank in an orderly manner, at the right market conditions and by agreement with the regulatory authorities;*
- *it has no intention of exerting any influence on the operations of the Bank; and*
- *this acquisition will not result in a change in control of the Bank.*

Unquote

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	
	2020	2019
	€'000	€'000
Subsidiary		
Services provided to	**2**	2
Services provided by	**537**	617

	Group and Company	
	2020	2019
	€'000	€'000
Indirect parent		
Services provided to	**211**	124
Goods and services provided by	**382**	441
Other related parties		
Services provided to	**6,361**	5,624
Services provided by	**433**	397
Postal licence fee	**304**	296

Year-end balances with related parties arising from the above transactions are disclosed in Notes 12 and 19 to these financial statements. Included in 'Amounts collected on behalf of third parties' within 'Trade and other payables' are amounts that the Company processes on behalf of government entities which result in revenue amounting to €707,000 (2019: €806,000).

31. Related party transactions - continued

Financial assets at fair value through other comprehensive income include:

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Related party				
Malta Government debt securities	**2,100**	2,174	**2,100**	2,174

Cash and cash equivalents include:

	Group		Company	
	2020	2019	**2020**	2019
	€'000	€'000	**€'000**	€'000
Indirect parent				
Term placements and bank balances held with Lombard Bank Malta p.l.c.	**8,023**	4,236	**8,018**	4,217

Key management personnel comprise the Directors of the Company. Total fees and emoluments paid to the Directors have been disclosed in Note 26.

32. Events after the end of reporting period

Acquisition of investment

Following the regulatory approval received for the acquisition of a 49% shareholding in Untours Insurance Agents Limited, the Company announced on 5 November 2020 that it has completed the agreement for the acquisition of the above shareholding.

33. Statutory information

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

Five year summary
Accounting ratios

	01/10/19 to 30/09/20 %	01/10/18 to 30/09/19 %	01/10/17 to 30/09/18 %	01/10/16 to 30/09/17 %	01/10/15 to 30/09/16 %
Gross profit margin	**21.64**	21.04	17.90	18.13	24.01
Operating profit margin	**8.29**	8.03	6.12	7.56	9.91
Operating profit to total assets	**6.07**	6.43	5.14	6.98	7.61
Operating profit to capital employed	**10.35**	10.30	9.32	12.30	12.45
Profit before tax to total equity	**10.67**	11.01	9.94	12.91	13.20
Profit after tax to total equity	**6.98**	7.21	6.51	8.51	9.29

	30/09/20	30/09/19	30/09/18	30/09/17	30/09/16
Shares in issue of €0.25 each (thousands)	**37,655**	37,655	37,655	37,655	36,987

Net assets per share (€ cents)	**72**	72	70	63	60
Earnings per share (€ cents)	**5**	5	5	5	6

Financial highlights in major currencies

	Company	
	USD	GBP
	000's	000's
For the year ended 30 September 2020		
Revenue	39,909	31,099
Gross profit	8,152	6,352
Operating profit	3,308	2,578
Profit before tax	3,409	2,657
Net profit after tax	2,231	1,739
At 30 September 2020		
Total assets less current liabilities	36,826	28,699
Total equity	31,952	24,899
Per share		
Earnings	0.00059	0.00046
Net asset value	0.85	0.66

At currency rates of exchange ruling on 30 September 2020:

USD 1.1708 = EUR 1

GBP 0.9124 = EUR 1

MaltaPost p.l.c.

SUPPLEMENTARY INFORMATION

30 September 2020

2020

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
15A, San Kalċidonju Square,
Floriana, FRN 1533

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, Mikielanġ Borg Street,
Lija, LJA 1440

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

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

MARSASKALA
St Anthony Street,
Marsaskala, MSK 9059

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 ĠILJAN
Paceville Street,
Paceville, San Ġiljan, STJ 3103

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

SAN PAWL IL-BAĦAR
6, Dolmen Street,
Buġibba, San Pawl il-Baħar, SPB 2400

SAN PAWL IL-BAĦAR
511, St Paul Street,
San Pawl il-Baħar, SPB 3416

SLIEMA
42, Rudolph Street,
Sliema, SLM 1275

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

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

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

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

MARSASKALA
Needz Stationery,
Vajrita Street,
Marsaskala, MSK 3325

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

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

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

NAXXAR
Zaky's,
St Publius Street,
San Pawl tat-Tarġa, NXR 1490

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

QRENDI
Papel Stationery,
Saviour Street,
Qrendi, QRD 1701

SAN ĠILJAN
Papier, Level 0,
Spinola Park,
Mikielanġ Borg Street,
San Ġiljan, SPK 1000

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

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

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 - Friday** 17:15 hrs
- **Saturday** 12:30 hrs

Delivery of postal articles generally commences as from 07:00 hrs 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) 21224421**.

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 0.002% of all mail items handled.

Issue Title: 'Artworks in the National Collection'
Stamp Issued on 8 June 2020
Depicting the statue of San Ġorġ Tal-Ħaġar - Victoria, Gozo
Painting by Edward Caruana Dingli - Courtesy of Heritage Malta