MALTAPOST p.l.c.

Annual Financial Report and Consolidated Financial Statements

30 September 2022

Company Registration Number: C 22796

Chairman's statement to the members

During the financial year under review, we experienced global upheaval as the impact of the COVID-19 pandemic continued. This, coupled with the start of the war in Ukraine, resulted in our financial year ending 30 September 2022 being a challenging one. Macro-economic and political events leading to major disruptions in the global supply chain and price hikes in conveyance costs resulted in an inflationary economic environment. Also, during this period, MaltaPost experienced the impact of the first full year of Brexit and the EU's imposition of VAT irrespective of value on, imports from non-EU countries. Both these factors had a negative impact on mail volumes and related revenue.

Conscious of the fact that the postal service in Malta is one of general economic interest that contributes positively to the local economy, we kept investing in our client-facing and back-end digital solutions. Of course, this came at considerable cost more so because the Company continues to carry an unfair financial burden by subsidising a number of postal services within the Universal Service Obligation. It is against this background that your Board of Directors reports a group pre-tax profit of €637,000 for the financial year ended 30 September 2022.

While playing a central role in the Maltese economy and in the daily life of the community, such role also needs to be accordingly acknowledged by the Malta Communications Authority, as the regulator of the postal services sector. Since many years, certain services within the Universal Service Obligation are being provided at a loss thereby negatively impacting our overall financial performance.

Persistently rising costs bring about the need for MaltaPost to request the revision of tariffs and terms with a view to have these brought in line with market realities. Unfortunately, the approval process takes so long, that by the time new tariffs and terms are approved, MaltaPost would have incurred financial losses on specific services covered by the Universal Service Obligation.

Undoubtedly the present mechanism allowing for the revision of tariffs needs to be overhauled so as to ensure that MaltaPost is not made to suffer financially merely because of a long drawn-out and outdated process. A transparent, reasonable and long-term solution is needed so as to ensure the continued viability of the Universal Service Obligation. In this regard we shall continue to appeal to the Regulator for the need of a change in approach.

With effect from 1 July 2022 select tariff revisions were partially approved. However, these still did not address the core issue that the Company is still delivering a number of regulated postal services at significant losses. Also, entry-level postal service tariffs remain significantly low in Malta as they simply do not reflect the true cost of providing such services. The absorption of these losses is further accentuated as a result of the year-on-year drop in Letter Mail volumes as well as the year-on-year increase in associated labour and operating costs.

We shall continue to impress upon the Regulator that MaltaPost rightly expects to make a fair and reasonable return on all the services that it provides and this also in the best interest of all stakeholders, not least its nation-wide customer base, its circa 2,000 shareholders and over 750 staff members.

As a listed company that delivers postal services, we remain committed to fulfil the Universal Service Obligation. While we are determined to provide an efficient and quality service to the community, a fair return to our shareholders and a secure workplace for our staff members, this may only be possible once the Company is allowed to be fairly remunerated for all the services it provides.

The parcel business and e-commerce drive our strategy to focus on this sector where there is significant growth potential.

The Group remains well positioned to progress its diversification strategy and investment programme, while concurrently ensuring compliance with its Environmental, Social and Governance obligations which also include the extension of our fleet of electric delivery vehicles.

Investment in our IT backbone shall continue so as to allow the Company keep in step with the postal services industry worldwide. In an effort to diversify our activities, we shall proceed with our strategy to invest in the Life and General insurance sectors as well as in other financial services. Of course, these require time and further investment for them to mature and start yielding a return.

A significant drop in profits, such as those reported here would usually not justify the recommendation of a dividend on the same basis as in previous years. However, given that over the years the Board of Directors sought to maintain a consistent dividend policy irrespective of the level of profits registered, therefore also for this year the proposed dividend will be as in previous years, that is, €0.04 per share, payable in cash or by way of scrip. This is confirmation of the prudent approach adopted by the Board at all times. Of course, this may only continue so long as the Company will not be expected to subsidise loss-making services that fall within the Universal Services Obligation. We believe that the Authorities do understand that for MaltaPost to remain the leading postal services operator of these Islands, the Regulator needs to react in a timely manner to the Company’s requests for revision of tariffs and other matters, as and when these arise.

My fellow Directors join me in expressing sincere appreciation of the Group’s management team and staff for their continued commitment and dedication through this difficult period. I also thank the Directors who serve the Group so well by their valued contribution throughout the year. Sincere thanks are also extended to our customers for their continued trust and confidence, and you, the shareholders, for your consistent support.

We are confident that the Group shall remain resilient and agile to respond to the new market realities.

Joseph Said

Chairman

Chief Executive Officer's review of operations

The financial results of MaltaPost Group for the financial year ended 30 September 2022 include the financial performance of MaltaPost p.l.c., together with its subsidiary and associate companies.

REVIEW OF FINANCIAL PERFORMANCE

Group Profit Before Tax for the financial year ended 30 September 2022 amounted to €0.64 million (2021: €2.35 million). While non-regulated postal and non-postal revenue streams continue to provide reasonable profit margins, the Company continues to carry the unfair financial burden of subsidising out of pocket, a number of postal services within the Universal Service Obligation, including those relating to Local Mail and Outbound Parcels. The reported profit for the Group for this financial year includes the absorption of a loss of €0.5 million incurred by the Company to deliver the Universal Postal Service Obligation. The limited tariff revisions announced by the Malta Communications Authority last July 2022 were tardy and do not adequately compensate the Company for delivering a service of general economic interest.

The Group's profit is also recognising its share of loss of €0.42 million (2021: €0.22 million) in IVALIFE Insurance Limited, the life insurance company in which it has a 25% investment. As envisaged at start-up, the company will move into profit in the foreseeable future, after absorbing initial set-up costs and generating further growth in business. The estimated fair value of this investment as at 30 September 2022 was higher than the cost.

Group Total Revenue fell by 17% to €31.51 million (2021: €37.93 million) as the full impact of Brexit and the EU's Removal of VAT exemption on all non-EU origin items costing less than €22 was felt. Postal revenue provided 83% (2021: 87%) of total revenue, while non-postal revenue from other lines of business including document management, bill collection, financial services and insurance increased to 17% (2021: 13%).

Group Total Expenses decreased by 14% to €30.80 million (2021: €35.82 million) as a result of major cost reduction initiatives implemented during the year albeit international postal tariffs payable to postal operators at destination imposed by the Universal Postal Union increased as well as increases of over 50% in airfreight costs. Notwithstanding that total labour costs decreased by 4.6% to €15.43 million (2021: €16.17 million) the cost of labour increased by 3% in line with the extant Collective Agreement, coupled with the challenges we continue to face to recruit and retain staff.

OPERATIONAL PERFORMANCE

We faced regular periodic spikes in the number of employees exposed to the COVID-19 virus, but the robust procedures employed by the Company to mitigate such exposure ensured that postal operations were continuously sustained. The obligations of the Universal Postal Service have for years been conditioned by the year-on-year decline in the Domestic, Inbound and Outbound Letter Mail volumes, a decline that was further accelerated during the pandemic as a consequence of the various initiatives taken by both public and private corporates to increase digitisation and e-substitution. Both cross-border inbound and outbound postal volumes were also impacted by a lack of airline connectivity resulting in unpredictability in the quality of service provided.

In addition, the Company continued to manage other major challenges to its core business model including the negative impact of the disruptions in the global supply chain, the impact of Brexit (where a 50% drop in postal traffic from the UK was experienced) and the decline in the cross-border inbound postal volumes as a consequence of the EU's decision to withdraw VAT exemption on all items bought from outside the EU and costing below €22. Inbound e-commerce business continued to attract strong local and international competition creating constant pressure on tariffs and quality of service requirements although very often we were competing on a non-level playing field given that market regulatory effectiveness is weak. This situation is driven by relatively low barriers to entry, the attractiveness of the growth in eCommerce volumes and the presence of competitors that are unburdened by regulatory obligations. However, we remain committed to be the partner of choice and in this regard are regularly reviewing our processes to meet the ever-increasing demands and expectations of our customer base. We continue to re-engineer our operational and last mile delivery processes to improve efficiency and increase capacity.

Forty additional electric vehicles were acquired during the year and another forty electric vehicles are expected to be delivered early next calendar year. This investment results in less physical hardship for our employees as we strike to improve working conditions and the physical well-being of our staff. Cost management and cost-efficiency efforts continued throughout the year with special emphasis on labour costs.

The Company's operational performance and future growth depend on its ability to attract and retain staff with the appropriate level of skills, knowledge and experience. As one of Malta's largest employers, with over 750 members of staff, we strive to remunerate staff members fairly while meeting their general work-life balance expectations. Although remuneration packages are improved yearly, we still face challenges within a highly competitive labour market.

It is for all these reasons that the Company rightly expects to be adequately compensated to continue providing the Universal Postal Service Obligation, a service of general economic interest even when it is not commercially viable to do so. Numerous requests for tariff revisions made to the Malta Communications Authority took far too long to be approved. Such tariffs must be aligned with the real cost of providing each single service under the Universal Service Obligation. This is the only way how we can safeguard the short and long-term viability of the Universal Postal Service.

NEW PROJECTS AND INTIATIVES

The Post Office network consists of 41 Post Offices supported by 28 Sub-Post Offices. We continue to invest in our network, and we purchased and refurbished a new property to serve as a Post Office in Zejtun.

During this last year MaltaPost was authorised by the Malta Financial Services Authority to act as a Tied Insurance Intermediary for both our subsidiary company PostaInsure Agency Limited, (as agents of Mapfre' Middlesea) for the General Insurance business and for our associate company IvaLife Insurance Limited for the Life Insurance business. This investment will position the Company in a market position to meet its customer requirements and expectations in a more holistic manner.

The nationwide EasiPik parcel locker of 24 distinct locations available 24/7 across Malta and Gozo are mostly co-located in our Post Offices. This free-of-charge service continues to provide a flexible, convenient way to collect parcels.

Our investment in digital transformation continued as we facilitate online public access to our products and services and as we strive to meet the ever-growing local and international e-commerce customer expectations. A last mile delivery logistics platform was implemented during 2022. Through this app, clients will experience an improved customer experience.

ENVIRONMENT, SOCIAL and GOVERNANCE

The Group remains fully committed to the Environment, Social and good Governance values. Our strategic focus has been widened to guarantee a business approach which is sustainable along the entire value chain. One of the main initiatives is our commitment 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.

During 2022, the Group continued supporting the Malta Community Chest Fund Foundation, Id-Dar tal-Providenza, Inspire Foundation and The Malta Hospice Movement as well as other social and cultural organisations. We also continue to preserve Malta's postal heritage by supporting the Malta Postal Museum through the newly established foundation 'Fondazzjoni Muzew tal-Posta' the aim of which is to protect and promote postal heritage and history for the benefit of future generations.

The continued challenges posed by the Pandemic did not dampen our resolve to ensure that the highest standards of worker safety and wellbeing were always maintained. Efforts to improve safe work practices and equipment continued unabated. Apart from measures aimed at safeguarding our workers' physical health, we have also laid the groundwork during the past year to support those members of staff encountering difficulties with their mental wellbeing.

OUTLOOK

The postal trends we have been experiencing over the past years are expected to continue, as parcel volumes increase while traditional Letter Mail maintains its downward turn. This reaffirms our strategy to rebalance our service offering towards the parcel sector. The Company also continues its discussions with the Malta Communications Authority to revise the tariffs of the regulated loss-making postal services.

We remain prepared to continue to make the necessary capital investment to sustain the medium and long-term commercial viability of the postal service, provided it delivers a fair rate of return. This is the only way that this essential service which is of general economic interest may continue to be delivered. Concurrently, the Company remains committed to continue its internal cost-reduction programme.

We are confident that should the Malta Communications Authority react positively and in a timely manner to our justified tariff revision requests, Malta can continue to be served by an efficient postal service.

We also plan to continue building on the steps taken to diversify our business portfolio. The General and Life insurance services are one such strand. We are confident that our primary focus on logistics, coupled with the inroads made in document management and financial services bode well for the future

Finally, I wish to thank the Chairman, the Executive Director and the rest of the members of the Board of Directors for their strategic guidance and support; our shareholders and customers for their continued trust; and last but not least, our management team and staff for their commitment and dedication in navigating through this second year of significant turbulence. However, together we are confident that we will continue to steer the Company to a prosperous future.

Joseph Gafa'

Chief Executive Officer

Directors' report

The Directors present their annual financial report and the consolidated audited financial statements of MaltaPost p.l.c. and its subsidiaries for the year ended 30 September 2022.

PRINCIPAL ACTIVITIES

The MaltaPost Group (the Group) comprises MaltaPost p.l.c. (the Company/MaltaPost) and its subsidiary companies, Tanseana Limited (Tanseana), Ciantar Brothers Limited, PostaInsure Agency Limited (PostaInsure), and its associate company IVALIFE Insurance 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).

As the designated Universal Postal Service Provider, MaltaPost provides a series of universal postal services under the Postal Services Act (Chapter 254 of the Laws of Malta) under the auspices of the Universal Postal Union on behalf of the Government of Malta. MaltaPost is regulated by the Malta Communications Authority. The Company operates a network of 6 Postal Hubs, 41 Post Offices and 28 Sub-Post Offices around Malta and Gozo providing an extensive range of postal and financial services.

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

Ciantar Brothers Limited, a company wholly owned by MaltaPost, provides warehousing services.

PostaInsure, a company 49% owned by MaltaPost p.l.c. was granted enrolment in the agents list to act as an insurance agent under Article 13 of the Insurance Intermediaries Act (CAP 487).

IVALIFE Insurance Limited, a company 25% owned by MaltaPost p.l.c. was licensed on 1 February 2021 to provide Class I and Class III long term business of insurance.

REVIEW OF PERFORMANCE

Group profit before tax for the financial year ended 30 September 2022 amounted to €0.64 million (2021: €2.35 million), resulting in Earnings per Share of €0.01. The reported profit for the Group for this financial year includes the absorption of a loss of €0.5 million incurred by the Company to deliver the Universal Postal Service Obligation. The limited tariff revisions announced by the Malta Communications Authority announced on 1 July 2022 were not timely to adequately compensate the Company for delivering a service of general economic interest.

Total Revenue fell by 17% to €31.51 million (2021: €37.93 million) as the full impact of Brexit and the removal of VAT exemption on all items costing less than €22 and imported from outside the EU was felt. Postal revenue represented 83% of total revenue, while the remaining revenue balance stemmed from the provision of non-postal services including document management, bill collection and financial services.

Total Expenses decreased to €30.80 million (2021: €35.82 million) as a result of the major cost reduction initiatives implemented by the Company. Employee expenses decreased by 4.6% to €15.43 million (2021: €16.17 million).

Remuneration Policy

Details of total employee expense for the financial year 2022 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 Financial Report on page 21. 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 industry best practices.

Bearing its objectives in mind, the Company acknowledges the benefit of appointing directors with diverse skills, backgrounds and expertise that enable the Board to create additional value for shareholders by ensuring that the business objectives are balanced against the general and specific risks faced in line with the Board's risk appetite. The Company will continue to promote such diversity for any vacant board positions that may arise from time to time.

The Company is confident that having taking cognisance of its specialised line of business, size and business model, and in light of the fact that the Company is controlled by Lombard Bank Malta p.l.c., it benefits from satisfactory diversified views and expertise which allows for a good understanding of global and regional affairs, the business environment in which the Company operates and the short 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 as 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, with due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All staff 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, management and contractors and members of the public in accordance with the Occupational Health and Safety Authority Act, (Cap. 424 of the Laws of Malta), 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 Financial Report, describes the non-financial key performance indicators relevant to the Group, including information relating to employee and environmental matters.

The Company aims to minimise the environmental impact of its business operations. Being environment friendly also contributes to manage costs. Such initiatives include the installation of solar panels and the continued investment in new fleets of electric last mile delivery vehicles.

Further information in respect of these matters is disclosed within the Directors' Report in the Annual Financial 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Traditional mail e-substitution and digitisation

MaltaPost is the designated Universal Postal Service Obligation provider in Malta. It is responsible to deliver various postal services to the general public including the clearance and delivery of letters and packages six days a week both domestically and internationally even when the costs involved render such select services not financially viable.

Furthermore, the obligations of the Universal Postal Service have for years been conditioned by a year-on-year decline in both Domestic and Outbound Single-Piece and Bulk Mail volumes due to e-substitution. A decline that was further accelerated by the initiatives taken during the pandemic and which led to further digitisation and e-substitution.

In addition to the year-on-year decline in traditional mail volumes, the Company also had to continue managing three major challenges to its core business model during the past year. It had to continue to deal with the measures introduced to contain the spread of the COVID-19 pandemic which measures led to significant loss of business and revenue. It also had to manage the impact of Brexit where a drop in postal traffic from the UK was experienced. Last but not least, inbound postal volumes continued to decline as a consequence of the EU's decision to withdraw VAT exemption on all items bought from outside the EU and costing below €22.

It is for these reasons that the Company rightly demanded to be adequately compensated to continue providing a service of general economic interest even when it is not commercially viable to do so. Several tariff revision requests made to the Malta Communications Authority took too long to be approved. Such tariffs must be aligned with the real cost of providing both the single and bulk mail services and the outbound mail services in order to safeguard the short and long-term viability of the Universal Postal Service going forward.

Intensifying competition on international business

The last mile delivery of the inbound postal business in Malta is increasingly competitive placing significant pressures on the tariff rates. This situation is driven by relatively low barriers to entry, the attractiveness of the growth in eCommerce volumes and the presence of competitors that are unburdened by regulatory and universal service costs and obligations.

Inability to maintain staff resourcing in line with business needs

The Company's commercial performance and future growth depend on the ability to attract and retain staff with the appropriate level of skills, knowledge and experience. This is becoming more challenging as time passes and is placing unnecessary wage pressure emboldened by labour shortages and rising inflationary living costs.

Legislative and/or regulatory repercussions

The Company strives to comply with a wide and 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. Notwithstanding, the Company continues to play a central role in the Maltese economy and in the daily life of the community. The Company is unfairly expected to deliver certain postal services within the universal service obligation without being adequately compensated, resulting in significant financial losses. This situation cannot be sustained. Additionally, local mail service tariffs remain significantly low when compared to other EU member states as they do not reflect the true cost of delivering such services.

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 its subsidiaries, 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 in line with the risk appetite covering the risks referred to above. 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 28. The Directors recommend the payment of a final net dividend of €0.04 per share amounting to €1,506,189 (2021: €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
Graham A. Fairclough
Eugenio Farrugia
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 2022 are included in the Annual Financial Report 2022, which is published on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Financial 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 CAPITAL MARKETS 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 2022, 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 Financial 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 CAPITAL MARKETS 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.

CAPITAL MARKETS RULES DISCLOSURES

In terms of the Capital Markets 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 buyback option by the Directors requires the passing of an extraordinary resolution.

NON-FINANCIAL INFORMATION

The Maltese Companies Act requires that a non-financial statement be included in this report containing information on the Group's development, performance, position, and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and this in the form of particular disclosures on certain aspects.

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

MaltaPost p.l.c. is subject to the Non-Financial Reporting Directive, 'NFRD' and is therefore also subject to disclosure requirements stemming from the Delegated Act supplementing Article 8 of the Taxonomy Regulation. However, given that MaltaPost is consolidated at the level of its parent entity, the Company is availing itself of the exemption from such disclosure requirements given that Lombard Bank Malta p.l.c. complies with the requirements of the Disclosure Delegated Act.

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 Financial 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 2022 and 7 December 2022.

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.

Signed on behalf of the Company's Board of Directors on 19 December 2022 by Jospeh Said and Aurelio Theuma as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

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

19 December 2022

Statement of compliance with the principles of good corporate governance

As a company having its securities admitted to trading on a regulated market, MaltaPost p.l.c. is obliged to report on the extent to which it has adopted 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 Capital Markets 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, six (6) 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 the Remuneration Committee, all of which are regulated by their own terms of reference as approved by the Board of Directors. 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. This separation of roles is meant to ensure that no one individual or small group of individuals have unfettered powers of decision.

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 of the Company.

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 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

Six (6) Board meetings were held during the period under review and attendance by Board members was as follows:

	Attended
Joseph Said	6
David P. Attard	6
James Dunbar Cousin	6
Graham A. Fairclough	6
Eugenio Farrugia	6
Paul Muscat	6
Aurelio Theuma	6

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 Capital Markets Rules. Additionally, Directors have access to Senior Executives to update and develop their skills as considered appropriate on an on-going basis. Furthermore, the directors have access to the Company's external auditors who are invited to attend all the Audit and Risk Committee meetings and the Board of Directors meetings as necessary.

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 Capital Markets 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 Capital Markets 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 Capital Markets 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 and/or Head Internal Audit attend these meetings in terms of Capital Markets 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 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 Finance 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 and 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. Additionally, the Company's website (www.maltapost.com) contains relevant information about the Company.

The Company also communicates with its members through the Annual General Meeting during which shareholders are requested to consider the Annual Financial 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 2022 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 2022 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. Findings are discussed and acted upon as appropriate.

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.

The Company also maintains an open channel of communication with its shareholders through the Company Secretariat.

C. INTERNAL CONTROL (CAPITAL MARKETS 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 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 (CAPITAL MARKETS 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 of 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 Capital Markets 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.

Remuneration report

The Remuneration Committee is responsible to draw up a Remuneration Policy and submit it for the Board's consideration. In determining such policy, the Committee takes into account all factors which it deems necessary, including the position of the Company relative to other companies in the marketplace. The objective of such policy is to ensure that Directors and Chief Officers are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner, for their individual contributions to the success of the Company. The remuneration policy is subject to a regular review and any amendments thereto shall, before adoption, be submitted to a General Meeting for consideration and approval. The Remuneration Policy was approved by the shareholders at the Annual General Meeting held on 26 February 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, who are ultimately responsible for 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 Executives.

MEETINGS

During the financial year ended 30 September 2022 the Remuneration Committee met three (3) times and these meetings were attended by all members where the following matters were discussed:

- Review of the Terms of Reference of the Committee and the Company's Remuneration Policy
- Review of the Guiding Principles relative to Salaries and Discretionary Bonuses awarded to Management
- Proposed Salaries and Discretionary Bonuses

REMUNERATION – DIRECTORS

The last Annual General Meeting approved the amount of seventy five thousand euro (€75,000) as the maximum aggregate amount by way of Directors' Remuneration. During the same meeting, the members approved the Remuneration Report for Directors which was a separate agenda item of the Annual General Meeting.

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 form of remuneration. No other fees were payable to any of the Directors during the year under review, except for Graham A. Fairclough, the Company Secretary, who received fees of € 4,000 per annum for services rendered.

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 Capital Markets Rules, the total emoluments received by Directors for their directorship for the financial years indicated, are specified below:

	FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
2022	€59,600	None	None	None
2021	€59,600	None	None	None
2020	€59,600	None	None	None

The total emoluments paid to Directors during the past three financial years were as follows:

	2022	2021	2020
Joseph Said	€17,000	€17,000	€17,000
David P. Attard	€ 7,100	€ 7,100	€ 7,100
James Dunbar Cousin	€ 7,100	€ 7,100	€ 7,100
Graham A. Fairclough	€ 7,100	€ 7,100	€ 7,100
Eugenio Farrugia	€ 7,100	€ 7,100	€ 7,100
Paul Muscat	€ 7,100	€ 7,100	€ 7,100
Aurelio Theuma	€ 7,100	€ 7,100	€ 7,100
Total	€59,600	€59,600	€59,600

This amount is within the limit of seventy five thousand euro approved by the Annual General Meeting of 16 February 2022.

David P. Attard and Eugenio Farrugia also serve as Directors on Ciantar Brothers Limited and PostaInsure Agency Limited respectively, two subsidiaries of the Group.

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Capital Markets Rules, during financial year 2021/2022, the Executive Director was paid by the parent company, who in turn recharged MaltaPost €109,000 (2021: €103,000) for his role. The total emoluments received by the Chief Executive Officer for this financial year amounted to €111,000 (2021: €106,000).

There is no formal provision for the reclamation of any variable remuneration related to the previous financial year/s. The above remuneration levels for 2022 comply with the provisions of the approved Remuneration Policy for Directors

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 that 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 ending 30 September 2022.

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 performance related. A discretionary annual bonus is payable to the Chief Officers following an assessment of their individual overall performance during the previous financial year.

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

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

	FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
2022	€269,000	€18,000	None	See below*
2021	€222,000	€18,000	None	See below*
2020	€234,000	€20,000	None	See below*

During the financial year 2022, the number of Chief Officers increased from 3 to 4. There were 5 Chief Officers serving during financial year 2020, two of whom were only in employment for part of the same financial year.

* 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.

The foregoing Remuneration Report is being put forward to an advisory vote of the 2022 Annual General Meeting in accordance with the requirements of the Malta Financial Services Authority Capital Markets Rule 12.26 L.

Other information on remuneration in terms of Appendix 12.1 of the Capital Markets Rules

In terms of the requirements established by Appendix 12.1 of the Capital Markets Rules, the following table presents the annual changes made in the remuneration packages when compared to the Company's performance over the last three financial years. The non-executive Company's Directors have been excluded from the table below since they have a fixed fee as described in Section B above. The average remuneration of the employees is based on a full-time equivalent basis, excluding the Executive Director and Chief Executive Officer (CEO).

	2022	2021	2020	Change	
	€'000	€'000	€'000	%	%
Group					
Average employee remuneration (excluding Executive Director and CEO)	21	20	19	3	2
Executive Director and CEO remuneration	220	209	201	5	4
Company performance – Profit Before Tax	637	2,350	2,780	(73)	(16)
Company					
Average employee remuneration (excluding Executive Director and CEO)	22	21	20	3	3
Executive Director and CEO remuneration	220	209	201	5	4
Company performance – Profit Before Tax	1,007	2,582	2,912	(61)	(11)

The performance of the Group and the Company is measured on a "profit before tax" basis, as management has determined that it is the best measure of direct performance.

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

Tel: (+356) 2122 4421
Fax: (+356) 2122 6368
Freephone: (+356) 80072244
Email: info@maltapost.com
www.maltapost.com

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

	30 September 2022	**7 December 2022**
Redbox Limited	71.5%	71.5%

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

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
Stefan J. Camilleri	Health and Safety
Charles Cilia	Commercial
John Cremona	Support Services
Paul Curmi	Document Management Services
Mario Farrugia	Retail and Insurance Services
Andrew Harrison	Risk and ESG
Steffan Galea	Digital Solutions and Strategy
Albert Gouder	Marketing
Darren Micallef	Finance - Financial Accounts and Control
Joswill Micallef	IT Support
Patrick Polidano	Quality Assurance
Kenneth Spiteri	Business Process Design

Statements of financial position

		Group		Company	
		As at 30 September			
	Notes	**2022 €'000**	2021 €'000	**2022 €'000**	2021 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**22,861**	22,289	**22,627**	22,174
Right-of-use assets	5	**1,343**	1,534	**1,343**	1,534
Intangible assets	6	**1,207**	1,167	**1,102**	1,044
Investment in subsidiaries	7	**-**	-	**416**	416
Investment in associate	8	**1,084**	1,507	**1,875**	1,875
Financial assets at fair value through other comprehensive income	9	**2,529**	2,900	**2,529**	2,900
Deferred tax asset	10	**337**	495	**254**	393
Total non-current assets		**29,361**	29,892	**30,146**	30,336
Current assets					
Inventories	11	**669**	700	**666**	700
Trade and other receivables	12	**10,703**	9,981	**10,622**	9,754
Current tax asset		**280**	8	**273**	-
Deposits with financial institutions	13	**3,000**	6,200	**3,000**	6,200
Cash and cash equivalents	14	**5,466**	4,943	**4,788**	4,206
Business of insurance accounts	14	**399**	448	**-**	-
Total current assets		**20,517**	22,280	**19,349**	20,860
Total assets		**49,878**	52,172	**49,495**	51,196

		Group		Company	
		As at 30 September			
	Notes	**2022**	2021	**2022**	2021
		€'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	**3,731**	3,898	**3,731**	3,898
Retained earnings		**6,454**	7,695	**7,222**	8,050
Total equity attributable to equity holders of the Company		**26,966**	28,374	**27,734**	28,729
Non-controlling interest		**408**	387	**-**	-
Total equity		**27,374**	28,761	**27,734**	28,729
Non-current liabilities					
Deferred tax liability	10	**1,299**	1,299	**1,299**	1,299
Lease liabilities	17	**1,107**	1,290	**1,107**	1,290
Provision for liabilities and charges	18	**1,153**	1,539	**1,153**	1,539
Total non-current liabilities		**3,559**	4,128	**3,559**	4,128
Current liabilities					
Lease liabilities	17	**266**	272	**266**	272
Provision for liabilities and charges	18	**152**	139	**152**	139
Trade and other payables	19	**18,527**	18,063	**17,784**	17,119
Current tax liability		**-**	809	**-**	809
Total current liabilities		**18,945**	19,283	**18,202**	18,339
Total liabilities		**22,504**	23,411	**21,761**	22,467
Total equity and liabilities		**49,878**	52,172	**49,495**	51,196

The accompanying notes are an integral part of these financial statements

The financial statements on pages 26 to 79 were approved and authorised for issue by the Board of Directors on 19 December 2022. The financial statements were signed on behalf of the Company's Board of Directors by Joseph Said and Aurelio Theuma as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

Income statements

		Group		Company	
		Year ended 30 September			
	Notes	**2022 €'000**	2021 €'000	**2022 €'000**	2021 €'000
Revenue	20	**31,513**	37,926	**31,133**	37,528
Employee benefits expense	22	**(15,425)**	(16,165)	**(15,243)**	(16,012)
Depreciation and amortisation expense	21	**(1,825)**	(1,802)	**(1,799)**	(1,783)
Other expenses	21	**(13,552)**	(17,851)	**(13,408)**	(17,610)
Other income	23	**279**	374	**254**	374
Operating profit		**990**	2,482	**937**	2,497
Share of results of associate	8	**(423)**	(217)	**-**	-
Finance costs	17	**(49)**	(54)	**(49)**	(54)
Finance income	24	**119**	139	**119**	139
Profit before tax		**637**	2,350	**1,007**	2,582
Tax expense	25	**(351)**	(951)	**(329)**	(950)
Profit for the year		**286**	1,399	**678**	1,632
Attributable to:					
Owners of the Company		**265**	1,399	**678**	1,632
Non-controlling interest		**21**	-	**-**	-
		286	1,399	**678**	1,632
Earnings per share	27	**€0.01**	€0.04		

The accompanying notes are an integral part of these financial statements

Statements of comprehensive income

		Group		Company	
		Year ended 30 September			
	Notes	**2022 €'000**	2021 €'000	**2022 €'000**	2021 €'000
Comprehensive income					
Profit for the year		**286**	1,399	**678**	1,632
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Losses from changes in fair value:					
Financial assets at fair value through other comprehensive income	9	**(337)**	(58)	**(337)**	(58)
Items that will not be reclassified to profit or loss					
Surplus arising on revaluation of land and buildings	4	**-**	1,641	**-**	1,641
Remeasurements of defined benefit obligations	18	**262**	-	**262**	-
Income tax relating to components of other comprehensive income:					
Surplus arising on revaluation of land and buildings	10	**-**	(271)	**-**	(271)
Remeasurements of defined benefit obligations	10	**(92)**	-	**(92)**	-
Total other comprehensive income for the year		**(167)**	1,312	**(167)**	1,312
Total comprehensive income for the year		**119**	2,711	**511**	2,944

The accompanying notes are an integral part of these financial statements

Statements of changes in equity

Group

		Attributable to owners of the Company						
	Notes	**Share capital** €'000	**Share premium** €'000	**Other reserves** €'000	**Retained earnings** €'000	**Total** €'000	**Non-controlling interest** €'000	**Total equity** €'000
Balance at 1 October 2020		9,414	7,367	2,586	7,802	27,169	-	27,169
Comprehensive income								
Profit for the year		-	-	-	1,399	1,399	-	1,399
Other comprehensive income								
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 10	-	-	1,370	-	1,370	-	1,370
Financial assets at fair value through other comprehensive income:								
Losses from changes in fair value	9	-	-	(58)	-	(58)	-	(58)
Total other comprehensive income		-	-	1,312	-	1,312	-	1,312
Total comprehensive income		-	-	1,312	1,399	2,711	-	2,711
Transactions with owners in their capacity as owners								
Distributions to owners:								
Dividends paid to equity holders	28	-	-	-	(1,506)	(1,506)	-	(1,506)
Changes in ownership interest:								
Non-controlling interest arising on acquisition of subsidiary		-	-	-	-	-	387	387
Total transactions with owners in their capacity of owners		-	-	-	(1,506)	(1,506)	387	(1,119)
Balance at 30 September 2021		**9,414**	**7,367**	**3,898**	**7,695**	**28,374**	**387**	**28,761**

Group	Notes	Attributable to owners of the Company						
		Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non controlling interest €'000	Total equity €'000
Balance at 1 October 2021		9,414	7,367	3,898	7,695	28,374	387	28,761
Comprehensive income								
Profit for the year		-	-	-	265	265	21	286
Other comprehensive income								
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 10	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income:								
Losses from changes in fair value	9	-	-	(337)	-	(337)	-	(337)
Remeasurements of defined benefit obligation, net of deferred tax		-	-	170	-	170	-	170
Total other comprehensive income		-	-	(167)	-	(167)	-	(167)
Total comprehensive income		-	-	(167)	265	98	21	119
Transactions with owners in their capacity as owners								
Distributions to owners:								
Dividends paid to equity holders	28	-	-	-	(1,506)	(1,506)	-	(1,506)
Total transactions with owners in their capacity of owners		-	-	-	(1,506)	(1,506)	-	(1,506)
Balance at 30 September 2022		**9,414**	**7,367**	**3,731**	**6,454**	**26,966**	**408**	**27,374**

Company

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 October 2020		9,414	7,367	2,586	7,924	27,291
Comprehensive income						
Profit for the year		-	-	-	1,632	1,632
Other comprehensive income						
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 10	-	-	1,370	-	1,370
Financial assets at fair value through other comprehensive income: Losses from changes in fair value	9	-	-	(58)	-	(58)
Total other comprehensive income		-	-	1,312	-	1,312
Total comprehensive income		-	-	1,312	1,632	2,944
Transactions with owners in their capacity as owners						
Distributions to owners: Dividends paid to equity holders	28	-	-	-	(1,506)	(1,506)
Total transactions with owners in their capacity as owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2021		**9,414**	**7,367**	**3,898**	**8,050**	**28,729**

Company

	Notes	**Share capital** €'000	**Share premium** €'000	**Other reserves** €'000	**Retained earnings** €'000	**Total** €'000
Balance at 1 October 2021		9,414	7,367	3,898	8,050	28,729
Comprehensive income						
Profit for the year		-	-	-	678	678
Other comprehensive income						
Surplus arising on revaluation of land and buildings, net of deferred tax	4, 10	-	-	-	-	-
Financial assets at fair value through other comprehensive income: Losses from changes in fair value	9	-	-	(337)	-	(337)
Remeasurements of defined benefit obligation, net of deferred tax		-	-	170	-	170
Total other comprehensive income		-	-	(167)	-	(167)
Total comprehensive income		-	-	(167)	678	511
Transactions with owners in their capacity as owners						
Distributions to owners: Dividends paid to equity holders	28	-	-	-	(1,506)	(1,506)
Total transactions with owners in their capacity as owners		-	-	-	(1,506)	(1,506)
Balance at 30 September 2022		**9,414**	**7,367**	**3,731**	**7,222**	**27,734**

The accompanying notes are an integral part of these financial statements

Statements of cash flows

	Note	Group		Company	
		Year ended 30 September			
		2022 €'000	2021 €'000	**2022 €'000**	2021 €'000
Cash flows from operating activities					
Cash from customers		**34,924**	36,196	**31,377**	36,020
Cash paid to suppliers and employees		**(33,160)**	(30,392)	**(29,680)**	(30,426)
Cash flows attributable to funds collected on behalf of third parties		**634**	682	**618**	682
Cash generated from operating activities		**2,398**	6,486	**2,315**	6,276
Income tax paid		**(1,364)**	(934)	**(1,362)**	(924)
Net cash generated from operating activities		**1,034**	5,552	**953**	5,352
Cash flows from investing activities					
Interest charges on lease liabilities		**(49)**	(54)	**(49)**	(54)
Interest received		**126**	149	**126**	149
Purchase of property, plant and equipment		**(1,515)**	(3,023)	**(1,325)**	(2,914)
Purchase of intangible assets		**(557)**	(850)	**(558)**	(710)
Purchase of investment in subsidiaries		**-**	-	**-**	(415)
Net cash inflow from acquisition of subsidiary		**-**	833	**-**	-
Purchase of investment in associate		**-**	(1,500)	**-**	(1,500)
Proceeds from disposals/redemptions of financial assets at fair value through other comprehensive income		**26**	609	**26**	609
Maturity of deposits with financial institutions		**6,000**	4,900	**6,000**	4,900
Placement of deposits with financial institutions		**(2,800)**	(5,500)	**(2,800)**	(5,500)
Net cash from/(used in) investing activities		**1,231**	(4,436)	**1,420**	(5,435)
Cash flows from financing activities					
Principal element of lease payments		**(290)**	(279)	**(290)**	(279)
Dividends paid		**(1,501)**	(1,504)	**(1,501)**	(1,504)
Net cash used in financing activities		**(1,791)**	(1,783)	**(1,791)**	(1,783)
Net movement in cash and cash equivalents		**474**	(667)	**582**	(1,866)
Cash and cash equivalents at beginning of year		**5,391**	6,058	**4,206**	6,072
Cash and cash equivalents at end of year	14	**5,865**	5,391	**4,788**	4,206

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of MaltaPost p.l.c. (the Company) and its subsidiary undertakings (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 2022

In 2022, the Group adopted new amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the financial performance and position.

(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 2021. 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 there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

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 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.

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 equal or exceed 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.

(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 are 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.

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;
- 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.

Leasehold rights on buildings

Leasehold rights are initially recognised at their acquisition cost and then amortised over their estimated useful life, which does not exceed the expected lease period, on a straight-line basis.

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 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, 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.

1.8 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.

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 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 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 stand-alone 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.

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.

1.21 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.

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.

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.

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	
	2022	2021
	€'000	€'000
Financial assets		
Trade receivables		
SDR	**2,867**	1,694
Financial liabilities		
Trade payables		
SDR	**(4,766)**	(4,742)
Net exposure to foreign currency risk	**(1,899)**	(3,048)

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.

(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	
		2022	2021	**2022**	2021
		€'000	€'000	**€'000**	€'000
Financial assets:					
At fair value through other comprehensive income:					
Debt securities	9	**2,529**	2,900	**2,529**	2,900
At amortised costs:					
Trade and other receivables	12	**10,004**	9,357	**9,942**	9,172
Deposits with financial institutions	13	**3,000**	6,200	**3,000**	6,200
Cash and cash equivalents	14	**5,466**	4,943	**4,788**	4,206
Business of insurance accounts	14	**399**	448	**-**	-
		21,398	23,848	**20,259**	22,478

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.

Financial assets at fair value through other comprehensive income

The Group's financial investments comprise listed sovereign debt securities having a carrying amount of €1.4 million (2021: €1.6 million) with a credit rating of A, as well as listed debt securities issued by corporates having a carrying amount of €0.6 million (2021: €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 €0.6 million (2021: €0.6 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.

Deposits with financial institutions, Cash and cash equivalents and Business of insurance accounts

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.

<u>Trade and other receivables (including contract assets)</u>

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 affected 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.

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 a result of the outbreak of COVID-19, the Group engaged in routine monitoring of the account activity and repayment patterns of its receivables. For this purpose, customers were segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to those segments which have been impacted by COVID-19 were subjected to more rigorous monitoring. The Group has not experienced a material shift in repayment patterns attributable to its customers post the COVID-19 outbreak, with no significant deterioration in collection rates detected. The Group has also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the Group and accordingly on their repayment ability. As a result of these assessments, at 30 September 2022, the Group determined that the level of expected credit losses has not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of trade receivables.

As at 30 September 2022 the Group was exposed to concentration of credit risk with 54% (2021: 50%) of its trade receivables being attributable to four (2021: 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 €6.8 million (2021: €6.7 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 2022, the Group and the Company had trade receivables amounting to €7,234,000 (2021: €6,092,000) and €7,331,000 (2021: €5,856,000) respectively which were fully performing whilst trade receivables amounting to €86,000 (2021: €248,000) and €66,000 (2021: €238,000) 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 €31,000 (2021: €311,000) for the Group and €11,000 (2021: €129,000) for the Company were overdue by at least three months, whereas €56,000 (2021: €109,000) were overdue by at least nine months for the Group and the Company. The movement in provisions for credit loss in respect of trade receivables during the year was as follows:

	Group		**Company**	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
At beginning of year	**278**	104	**106**	104
Acquisition of subsidiary	**-**	172	**-**	-
Write-offs	**(62)**	-	**(8)**	-
(Decrease)/increase in provisions	**(71)**	2	**(25)**	2
At end of year	**145**	278	**73**	106

Reversals of provisions of 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.

2.2 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	
	2022	2021
Assets	**€'000**	€'000
Financial assets at fair value through other comprehensive income:		
Debt securities (Note 9)	**2,529**	2,900

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

The Group's land and buildings category of property, plant and equipment is fair valued on the basis of professional advice, which considers current market prices for the properties. Fair valuation of property requires the extensive use of judgement and estimates.

Assessment of matters referred to above

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

	Land and buildings €'000	Improvements to leasehold properties €'000	Fixtures, furniture and fittings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
At 1 October 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
Year ended 30 September 2021						
Opening net book amount	14,168	740	2,686	702	453	18,749
Additions	1,976	127	470	220	52	2,845
Acquisition of subsidiary	-	-	2	4	-	6
Reclassifications	48	(41)	(7)	-	-	-
Disposals and write-offs	-	-	-	(9)	-	(9)
Depreciation	(58)	(124)	(298)	(318)	(154)	(952)
Depreciation released on disposals and write-offs	-	-	-	9	-	9
Revaluation surplus arising during the year:						
effect on cost or valuation	1,489	-	-	-	-	1,489
effect on accumulated depreciation	152	-	-	-	-	152
Closing net book amount	17,775	702	2,853	608	351	22,289
At 30 September 2021						
Cost or valuation	17,775	1,561	6,822	6,467	815	33,440
Accumulated depreciation	-	(859)	(3,969)	(5,859)	(464)	(11,151)
Net book amount	17,775	702	2,853	608	351	22,289
Year ended 30 September 2022						
Opening net book amount	17,775	702	2,853	608	351	22,289
Additions	265	66	324	303	558	1,516
Disposals and write-offs	-	-	(4)	-	-	(4)
Depreciation	(69)	(135)	(276)	(260)	(204)	(944)
Depreciation released on disposals and write-offs	-	-	4	-	-	4
Closing net book amount	**17,971**	**633**	**2,901**	**651**	**705**	**22,861**
At 30 September 2022						
Cost or valuation	18,040	1,627	7,142	6,770	1,373	34,952
Accumulated depreciation	(69)	(994)	(4,241)	(6,119)	(668)	(12,091)
Net book amount	**17,971**	**633**	**2,901**	**651**	**705**	**22,861**

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 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
Year ended 30 September 2021						
Opening net book amount	14,168	740	2,686	702	453	18,749
Additions	1,976	17	470	220	52	2,735
Reclassifications	48	(41)	(7)	-	-	-
Disposals and write-offs	-	-	-	(9)	-	(9)
Depreciation	(58)	(124)	(297)	(318)	(154)	(951)
Depreciation released on disposals and write-offs	-	-	-	9	-	9
Revaluation surplus arising during the year:						
effect on cost or valuation	1,489	-	-	-	-	1,489
effect on accumulated depreciation	152	-	-	-	-	152
Closing net book amount	17,775	592	2,852	604	351	22,174
At 30 September 2021						
Cost or valuation	17,775	1,451	6,750	6,218	815	33,009
Accumulated depreciation	-	(859)	(3,898)	(5,614)	(464)	(10,835)
Net book amount	17,775	592	2,852	604	351	22,174
Year ended 30 September 2022						
Opening net book amount	17,775	592	2,852	604	351	22,174
Additions	265	28	239	295	558	1,385
Disposals and write-offs	-	-	(4)	-	-	(4)
Depreciation	(69)	(130)	(273)	(256)	(204)	(932)
Depreciation released on disposals and write-offs	-	-	4	-	-	4
Closing net book amount	**17,971**	**490**	**2,818**	**643**	**705**	**22,627**
At 30 September 2022						
Cost or valuation	18,040	1,479	6,985	6,513	1,373	34,390
Accumulated depreciation	(69)	(989)	(4,167)	(5,870)	(668)	(11,763)
Net book amount	**17,971**	**490**	**2,818**	**643**	**705**	**22,627**

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

	Group and Company	
	Carrying amount	
	2022	2021
	€'000	€'000
At 30 September		
Land and buildings	**1,986**	1,995
Furniture, fittings, artefacts and exhibits	**856**	878
	2,842	2,873

Fair valuation of property

The land and buildings within property, plant and equipment were last revalued on 30 September 2021 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 2021 and adjustments to the carrying amount amounted to €1,641,000. No revaluation was carried out during the current financial year.

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

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 2021 and 30 September 2022.

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

Valuation processes

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

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

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

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

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

Valuation techniques

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

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

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

	At 30 September 2022 and 2021			
Group and Company				
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	18.0 million (2021: 17.8 million)	Adjusted sales comparison approach	Sales price metre	1,200 – 4,400

The Group's improvements to premises not owned by the Group, with a carrying amount of €1,023,000 (2021: €1,118,000), 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	
	2022	2021
	€'000	€'000
Cost	**13,789**	13,524
Accumulated depreciation	**(578)**	(525)
Net book amount	**13,211**	12,999

5. Right-of-use assets

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

	Group and Company	
	2022	2021
	€'000	€'000
Properties	**1,208**	1,338
Motor vehicles	**135**	196
Total right-of-use assets	**1,343**	1,534

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

	Group and Company	
	2022	2021
	€'000	€'000
At beginning of year	**1,534**	1,805
Impact of reassessment of lease term	**-**	25
Additions	**101**	-
Depreciation	**(292)**	(296)
At end of year	**1,343**	1,534

6. Intangible assets

Group	Leasehold €'000	Computer software €'000	Total €'000
At 1 October 2020			
Cost	-	1,445	1,445
Accumulated amortisation	-	(497)	(497)
Net book amount	-	948	948
Year ended 30 September 2021			
Opening net book amount	-	948	948
Acquisition of subsidiary	141	-	141
Additions	-	632	632
Amortisation	(18)	(536)	(554)
Closing net book amount	123	1,044	1,167
At 30 September 2021			
Cost	141	2,077	2,218
Accumulated amortisation	(18)	(1,033)	(1,051)
Net book amount	123	1,044	1,167
Year ended 30 September 2022			
Opening net book amount	123	1,044	1,167
Additions	-	629	629
Amortisation	(18)	(571)	(589)
Closing net book amount	**105**	**1,102**	**1,207**
At 30 September 2022			
Cost	141	2,706	2,847
Accumulated amortisation	(36)	(1,604)	(1,640)
Net book amount	**105**	**1,102**	**1,207**

Company	Computer software €'000
At 1 October 2020	
Cost	1,445
Accumulated amortisation	(497)
Net book amount	948
Year ended 30 September 2021	
Opening net book amount	948
Additions	632
Amortisation	(536)
Closing net book amount	1,044
At 30 September 2021	
Cost	2,077
Accumulated amortisation	(1,033)
Net book amount	1,044
Year ended 30 September 2022	
Opening net book amount	1,044
Additions	629
Amortisation	(571)
Closing net book amount	**1,102**
At 30 September 2022	
Cost	2,706
Accumulated amortisation	(1,604)
Net book amount	**1,102**

7. Investment in subsidiaries

	Company	
	2022	2021
	€'000	€'000
Cost and carrying amount at beginning of year	**416**	1
Additions	**-**	415
Cost and carrying amount at end of year	**416**	416

The carrying amount of the investment at 30 September 2022 and 2021 is equivalent to the cost of investment. The subsidiaries at 30 September 2022 and 2021 is shown below:

Subsidiary	Registered office	Percentage of shares held	Nature of business
Tanseana Limited	305, Qormi Road, Marsa, MTP 1001, Malta	100% of ordinary shares	Document management services
Ciantar Brothers Limited	22, Warehouse il-Moll tal-Pont, Marsa, MRS1400, Malta	100% of ordinary shares	Warehousing
PostaInsure Agency Limited	4, Old Bakery Street, Valletta, VLT 1450, Malta	49% of ordinary shares	Insurance agent

Ciantar Brothers Limited

On 26 April 2021, MaltaPost entered into a share purchase agreement with the shareholders of Ciantar Brothers Limited (CBL), a limited liability company registered in Malta under the Companies Act (Cap.386), with registration number C 577 and registered office at 22, Warehouse il-Moll tal-Pont, Marsa MRS1400, for the purchase of 100% of the issued share capital for a consideration of €140,000. The purchase consideration was deemed equivalent to the fair value of the 100% equity holding in CBL and accordingly of the identifiable assets and liabilities of CBL as at date of acquisition, which principally comprised intangible assets. The acquisition is expected to give rise to synergies within the Group. The transfer of shares was affected on 6 May 2021.

PostaInsure Agency Limited

On 5 November 2020, MaltaPost entered into a share purchase agreement with PostaInsure Agency Limited (PostaInsure), formerly Untours Insurance Agents Limited, a limited liability company registered in Malta under the Companies Act (Cap.386), with registration number C 5655 and registered office at 4, Old Bakery Street, Valletta, for the purchase of 49% of the issued share capital for a consideration of €275,000. The transfer of shares was affected on 9 December 2020, at which date MaltaPost also acquired control over the company in view of its rights to appoint 60% of PostaInsure's board of directors. The purchase consideration was deemed equivalent to the fair value of the 49% equity holding in PostaInsure.

The assets and liabilities recognised as a result of the acquisition are as follows:

	€'000
Property, plant and equipment	4
Deferred tax	103
Trade and other receivables	439
Current tax	5
Cash and cash equivalents	1,108
Trade and other payables	(997)
Net identifiable assets	662
Less non-controlling interest	(387)
Net assets acquired	275

Non-controlling interests have been measured at the related proportion of the net identifiable assets at acquisition.

Net cash inflow arising from acquisition of the subsidiary is as follows:

	€'000
Cash consideration	275
Cash and cash equivalents acquired	1,108
Cash and cash equivalents	833

In the twelve-month period to 30 September 2022, PostaInsure contributed revenue of €367,000 (2021: €398,000) and profit of €41,000 (2021: loss of €2,000).

PostaInsure is principally engaged in providing general insurance services, a service offering that is ancillary to services currently provided by MaltaPost. This acquisition is expected to give rise to synergies within the Group.

Non-controlling interest (NCI)

Set out below is summarised financial information for the subsidiary that has non-controlling interest. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	**2022**	2021
	€'000	€'000
Current assets	**1,384**	1,446
Current liabilities	**(772)**	(884)
Current net assets	**612**	562
Net assets	**703**	669
Accumulated NCI	**408**	387

Summarised statement of comprehensive income	**Year from 1 October 2021 to 30 September 2022 €'000**	Period from 1 October 2020 to 30 September 2021 €'000
Revenue	**394**	311
Profit for the period	**41**	-
Profit allocated to NCI	**21**	-
Summarised cash flows		
Cash flows from operating activities	**(86)**	49
Net (decrease)/increase in cash and cash equivalents	**(86)**	49

8. Investment in associate

	Group		**Company**	
	2022 €'000	2021 €'000	**2022 €'000**	2021 €'000
Year ended 30 September				
Opening carrying amount	**1,507**	248	**1,875**	399
Additions	**-**	1,476	**-**	1,476
Share of results	**(423)**	(217)	**-**	-
Closing carrying amount	**1,084**	1,507	**1,875**	1,875
At 30 September				
Cost	**1,875**	1,875	**1,875**	1,875
Share of results	**(791)**	(368)	**-**	-
Carrying amount	**1,084**	1,507	**1,875**	1,875

The associate at 30 September 2022 and 2021 is shown below:

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

MaltaPost controls 25% of the share capital (and holds an equivalent amount of voting rights) of IVALIFE Insurance Limited, an unlisted company which was incorporated in Malta towards the end of 2019 and commenced operations in 2021. The company was established to provide Class I and Class III long term business of insurance within Malta. During the year ended 30 September 2021, MaltaPost further injected capital amounting to €1,476,000 in its associate IVALIFE Insurance Limited. The Group's 25% share of the losses registered by the associate during the current financial year, amounting to €423,000, was reflected within the Group's 2022 financial results.

The associate has capital and reserves as at 30 September 2022 amounting to €4,336,000 (2021: €6,029,000) and registered a loss for the year amounting to €1,693,000 (2021: €861,000).

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	
	2022	2021
	€'000	€'000
Financial assets at fair value through other comprehensive income:		
Non-current	**2,529**	2,900
Year ended 30 September		
Opening carrying amount	**2,900**	3,561
Disposals/redemptions	**(26)**	(601)
Net fair value movements (Note 16)	**(337)**	(58)
Amortisation	**(8)**	(2)
Closing carrying amount	**2,529**	2,900
At 30 September		
Amortised cost	**2,472**	2,506
Accumulated fair value gains	**57**	394
Carrying amount	**2,529**	2,900

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% (2021: 3% to 6%). The weighted average effective interest rate as at 30 September 2022 was 4% (2021: 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% (2021: 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 €1,299,000 as at 30 September 2022 (2021: €1,299,000).

The balance at 30 September represents temporary differences attributable to:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Assets				
Reflected within profit or loss				
Depreciation of property, plant and equipment	**25**	40	**3**	40
Provisions	**51**	36	**26**	36
Unabsorbed tax losses	**36**	-	**-**	-
Reflected within other comprehensive income				
Provision for liabilities and charges	**225**	317	**225**	317
Reflected upon acquisition of subsidiary				
Depreciation of property, plant and equipment	**-**	42	**-**	-
Provisions	**-**	60	**-**	-
	337	495	**254**	393
Liabilities				
Reflected within other comprehensive income				
Fair valuation of land and buildings	**(1,299)**	(1,299)	**(1,299)**	(1,299)
	(1,299)	(1,299)	**(1,299)**	(1,299)

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Assets				
At beginning of year	**495**	448	**393**	448
Charge to profit or loss (Note 25)	**(66)**	(55)	**(47)**	(55)
Charge to other comprehensive income (Note 16)	**(92)**	-	**(92)**	-
Reflected upon acquisition of subsidiary	**-**	102	**-**	-
At end of year	**337**	495	**254**	393
Liabilities				
At beginning of year	**(1,299)**	(1,028)	**(1,299)**	(1,028)
Charge to other comprehensive income (Note 16)	**-**	(271)	**-**	(271)
At end of year	**(1,299)**	(1,299)	**(1,299)**	(1,299)
Net deferred tax liability	**(962)**	(804)	**(1,045)**	(906)

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		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Inventories for resale	**218**	250	**218**	250
Other inventory items	**312**	288	**309**	288
Stamps and postal stationery	**139**	162	**139**	162
	669	700	**666**	700

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

12. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Current				
Trade receivables - gross	**5,804**	4,934	**5,796**	4,934
Receivables arising on insurance transactions	**322**	388	**-**	-
Provisions for expected credit loss	**(145)**	(278)	**(73)**	(106)
Trade receivables - net	**5,981**	5,044	**5,723**	4,828
Amounts due from parent undertaking	**78**	89	**78**	89
Amounts due from subsidiary undertakings	**-**	-	**230**	61
Amounts due from related undertakings	**1,401**	1,206	**1,367**	1,176
Contract assets	**2,544**	3,018	**2,544**	3,018
Prepayments and accrued income	**699**	624	**680**	582
	10,703	9,981	**10,622**	9,754

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	
	2022	2021
	€'000	€'000
Term placements	**3,000**	6,200

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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash and balances with banks	**5,466**	4,943	**4,788**	4,206
Business of insurance accounts	**399**	448	**-**	-
	5,865	5,391	**4,788**	4,206

Cash and cash equivalents as at 30 September 2022 include amounts collected on behalf of third parties, amounting to €562,000 (2021: €960,000) as disclosed in Note 19.

The use of the business of insurance accounts is restricted in terms of Chapter 8 of the Insurance Distribution Rules, 2019.

15. Share capital

	Company	
	2022	2021
	€'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 2020		2,712	452	(578)	2,586
Surplus arising on revaluation of land and buildings	4	1,641	-	-	1,641
Deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	10	(271)	-	-	(271)
Financial assets at fair value through other comprehensive income:					
Losses from changes in fair value	9	-	(58)	-	(58)
At 30 September 2021		4,082	394	(578)	3,898
At 1 October 2021		4,082	394	(578)	3,898
Remeasurements of defined benefit obligations					
Actuarial gains	18	-	-	262	262
Deferred taxes	10	-	-	(92)	(92)
Financial assets at fair value through other comprehensive income:					
Losses from changes in fair value	9	-	(337)	-	(337)
At 30 September 2022		**4,082**	**57**	**(408)**	**3,731**

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.

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	
	2022	2021
	€'000	€'000
Non-current		
Properties	**1,067**	1,138
Motor vehicles	**40**	152
Total non-current lease liabilities	**1,107**	1,290
Current		
Properties	**169**	227
Motor vehicles	**97**	45
Total current lease liabilities	**266**	272
Total lease liabilities	**1,373**	1,562

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.

The total cash outflows for leases in 2022 was €340,000 (2021: €331,000).

Included in lease liabilities for properties are amounts of €475,000 (2021: €559,000) 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	
	2022	2021
	€'000	€'000
At beginning of year	**1,562**	1,814
Impact of reassessment	**-**	25
Payments	**(336)**	(331)
Additions	**98**	-
Interest charge	**49**	54
At end of year	**1,373**	1,562

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	
	2022	2021
	€'000	€'000
Present value of unfunded obligation	**3,754**	3,988
Crystallised obligation	**(1,750)**	(1,611)
Fair value of obligation to be reimbursed by Government	**(699)**	(699)
Provision reflected in financial statements	**1,305**	1,678

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

	Group and Company	
	2022	2021
	€'000	€'000
Non-current	**1,153**	1,539
Current	**152**	139
	1,305	1,678

The movement for the year is made up of:

	Group and Company	
	2022	2021
	€'000	€'000
Charge to profit or loss	**(28)**	(115)
Credit to other comprehensive income (Note 16)	**262**	-
Crystallised obligation	**139**	165
	373	50

The amount recognised in other comprehensive income is as follows:

	Group and Company	
	2022	2021
	€'000	€'000
Net actuarial gains		
- attributable to financial assumptions	**262**	-

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 3.85% (2021: 1.46%). Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 83 (83 in 2021) 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Current				
Trade payables	**7,149**	7,763	**7,143**	7,683
Payables arising on insurance transactions	**191**	180	**-**	-
Amounts due to principals	**504**	527	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**89**	37
Amounts collected on behalf of third parties (Note 14)	**562**	960	**562**	960
Amounts owed to related undertakings	**1,917**	1,664	**1,914**	1,640
Other payables	**62**	43	**61**	43
Indirect taxes and social security	**4,430**	3,147	**4,360**	3,058
Contract liabilities	**259**	180	**259**	180
Accruals and deferred income	**3,453**	3,599	**3,394**	3,518
	18,527	18,063	**17,782**	17,119

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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
By activity				
Postal	**26,162**	32,889	**26,162**	33,102
Philatelic	**382**	364	**382**	364
Insurance commission	**367**	398	**-**	-
Other	**4,602**	4,275	**4,589**	4,062
	31,513	37,926	**31,133**	37,528
By geographical segments				
Local	**18,216**	17,661	**17,836**	17,263
International cross-border	**13,297**	20,265	**13,297**	20,265
	31,513	37,926	**31,133**	37,528

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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Employee benefits expense (Note 22)	**15,425**	16,165	**15,243**	16,012
Depreciation and amortisation (Notes 4, 5, 6)	**1,825**	1,802	**1,795**	1,783
Foreign direct mail costs	**8,904**	12,707	**8,904**	12,707
Property operating lease rentals	**83**	62	**79**	62
Motor vehicle operating lease and rental costs	**467**	546	**460**	546
Other expenses	**4,098**	4,536	**3,969**	4,295
	30,802	35,818	**30,450**	35,405

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**70**	60	**45**	38
Other assurance services	**18**	18	**18**	18
Tax advisory and compliance services	**2**	2	**-**	2
Other non-assurance services	**-**	43	**-**	23
	90	123	**63**	81

Other non-assurance services to the Company include advisory services related to the insurance license application and cyber-security testing.

22. Employee benefits expense

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,978**	14,607	**13,337**	14,059
Other staff costs	**246**	377	**775**	784
Social security and indirect tax	**1,201**	1,181	**1,131**	1,169
	15,425	16,165	**15,243**	16,012

Average number of full time equivalent persons employed during the year:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Operational	**678**	744	**631**	692
Management	**57**	53	**56**	52
	735	797	**687**	744

23. Other income

	Group		Company	
	2022	2021	**2022**	2021
COVID-19 related grants	**25**	246	**-**	246
Other grants	**254**	128	**254**	128
	279	374	**254**	374

The COVID-19 related grants represented funds received to provide employees with a minimum wage cover to address the disruption caused by the pandemic.

24. Finance income

	Group and Company	
	2022	2021
	€'000	€'000
Interest income from bank balances and debt securities	**119**	139

25. Tax expense

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Current tax expense	**285**	896	**282**	895
Deferred tax expense (Note 10)	**66**	55	**47**	55
Tax expense	**351**	951	**329**	950

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Profit before tax	**637**	2,350	**1,007**	2,582
Tax at 35%	**223**	823	**352**	903
Tax effect of:				
Income taxed at different rates	**(23)**	(30)	**(23)**	(30)
Impact of share of results of associate	**148**	76	**-**	-
Other differences	**3**	82	**-**	77
Tax expense	**351**	951	**329**	950

26. Directors' emoluments

	Group and Company	
	2022	2021
	€'000	€'000
Directors' fees	**60**	60

The Company paid insurance premia of €12,160 (2021: €9,800) 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	
	2022	2021
Profit attributable to equity holders (€'000)	**286**	1,399
Weighted average number of ordinary shares in issue (thousands)	**37,655**	37,655
Earnings per share (basic and diluted)	**€0.01**	€0.04

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	
	2022	2021
	€'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 per share amounting to €1,506,189, in respect of the financial year ended 30 September 2022 is to be proposed. These financial statements do not reflect this final dividend 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 2023.

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 a remaining lease term of less than 12 months amounted to €539,000 (2021: €608,000).

Specific lease arrangements include an option to renew the lease after the original term but the amounts presented 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.

Capital commitments

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Authorised and contracted for:				
Property, plant and equipment	**220**	543	**220**	527

30. Contingencies

As a result of its operations and activities in the ordinary course of business, the Group has, as at 30 September 2022, contingent liabilities arising from guarantees in favour of third parties and from performance bonds amounting to €370,000 (2021: €165,000).

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 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;*
- *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	
	2022	2021
	€'000	€'000
Subsidiaries		
Services provided to	**10**	-
Services provided by	**757**	453

	Group and Company	
	2022	2021
	€'000	€'000
Indirect parent		
Services provided to	**205**	222
Goods and services provided by	**215**	292
Other related parties		
Services provided to	**7,226**	7,390
Services provided by	**3,223**	1,421
Postal licence fee	**239**	304

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 €437,000 (2021: €822,000).

Financial assets at fair value through other comprehensive income include:

	Group and Company	
	2022	2021
	€'000	€'000
Related party		
Malta Government debt securities	**1,370**	1,679

Cash and cash equivalents include:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Indirect parent				
Term placements and bank balances held with Lombard Bank Malta p.l.c.	**1,241**	508	**1,235**	448

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

32. Statutory information

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

Five-year summary

Accounting ratios

	01/10/21 to 30/09/22 %	01/10/20 to 30/09/21 %	01/10/19 to 30/09/20 %	01/10/18 to 30/09/19 %	01/10/17 to 30/09/18 %
Gross profit margin	**16.54**	18.32	21.64	21.04	17.90
Operating profit margin	**3.02**	6.65	8.29	8.03	6.12
Operating profit to total assets	**1.91**	4.88	6.07	6.43	5.14
Operating profit to capital employed	**3.41**	8.69	10.35	10.30	9.32
Profit before tax to total equity	**3.64**	8.99	10.67	11.01	9.94
Profit after tax to total equity	**2.40**	5.68	6.98	7.21	6.51

	30/09/22	30/09/21	30/09/20	30/09/19	30/09/18
Shares in issue of €0.25 each (‘000s)	**37,655**	37,655	37,655	37,655	37,655
Net assets per share (€ cents)	**74**	76	72	72	70
Earnings per share (€ cents)	**1**	4	5	5	5

Financial highlights in major currencies

	Company	
	USD	**GBP**
	000's	**000's**
For the year ended 30 September 2022		
Revenue	30,348	27,490
Operating profit	913	827
Profit before tax	982	889
Net profit after tax	661	599
At 30 September 2022		
Total assets less current liabilities	30,505	27,632
Total equity	27,035	24,489
Per share		
Earnings	0.00017	0.000156
Net asset value	0.72	0.65

At currency rates of exchange ruling on 30 September 2022:

USD 0.97 = EUR 1

GBP 0.88 = EUR 1

Supplementary information

MaltaPost p.l.c. Post Offices

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

ATTARD
1, John Paul II Square,
Attard, ATD 2200

BIRKIRKARA
58, Valley Road,
Birkirkara, BKR 9013

BIRŻEBBUĠA
48, Żarenu Dalli Street,
Birżebbuġa, BBG 1522

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

FGURA
419, Zabbar Road,
Fgura, FGR 1018

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

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'
Gwardamanga 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

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
19, Gregorio Bonici Square
Żejtun, ZTN 1834

ŻURRIEQ
75, Main Street,
Żurrieq, ZRQ 1317

MaltaPost p.l.c. Sub-Post Offices

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

BALZAN
Steve Stationery
Dun Spir Sammut Steet
Balzan, BZN 1020

BIRGU
Step In,
Victory Square,
Birgu, BRG 1300

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

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
Kercem Local Council,
Orvieto Square,
Kercem, KCM 1360

MARSASKALA
Needz Stationery,
Vajrita Street,
Marsakala, MSK 3325

MARSAXLOKK
Old Trafford Stationery,
47, Arznell Street,
Marsaxlokk, MXK 1401

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

MGARR
Universal Stationery,
22, Ras il-Gebel Street,
Zebbiegh, l-iMgarr, MGR 2021

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,
Mikielang Borg Street
San Ġiljan, SPK 1000

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

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

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

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

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

SLIEMA
Papier, Piazzetta,
Tower Road,
Sliema, SLM 1605

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

ŻURRIEQ
Pinpoint Stationery,
57, Independence Avenue,
Żurrieq, ZRQ 2339

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

(except public holidays)

Delivery of postal articles generally commences as from 07:00 hrs and ends in accordance with operational exigencies.

Further information on products and services, including prices and a full list of letterboxes and stamp vendors, may be found on the Company's website on www.maltapost.com or by request from the Post Offices or from the Customer Care Department on (+356) 21224421.

The postal schemes which deal with a number of postal services may also be located and downloaded from the website or available upon request from the Post Offices or Customer Care. During the year under review, Customer complaints accounted for 0.002% of all mail items handled.

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:

- The 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 of MaltaPost p.l.c. as at 30 September 2022, 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 comprise:

- the Consolidated and Parent Company statements of financial position as at 30 September 2022;
- 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.

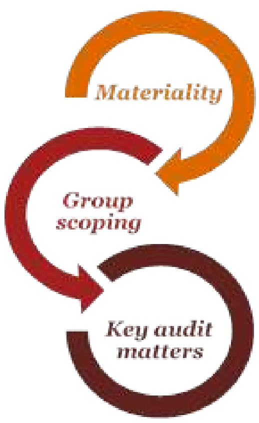
Independence

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 subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281). The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 October 2021 to 30 September 2022, are disclosed in Note 21 to the financial statements.

Our audit approach

Overview



Overall group materiality: €121,000, which represents approximately 5% of average profit before tax from continuing operations over a period of 5 years.

- The Parent Company and its subsidiaries 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	€121,000
How we determined it	Approximately 5% of average profit before tax from continuing operations over a period of 5 years.
Rationale for the materiality benchmark applied	We chose average profit before tax from continuing operations over a period of 5 years 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €12,000 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. 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*	We confirmed our understanding and evaluation of the Parent Company's control processes and procedures in respect of revenue recognition, including IT and system controls. Specifically, in respect of revenue from retail sales, we evaluated the relevant systems and the design of controls, and tested the operating effectiveness of automated and non-automated controls over the: • capture and recording of revenue transactions comprising products or services supplied to customers; • authorisation of price changes and updating this information within the operational retail system; and • calculation of amounts invoiced to customers. Accordingly, we validated key controls including automated control procedures in respect of the operational retail system. We tailored our final audit plan based on the results of our assessment of the control environment and operating effectiveness of such controls. We utilised computer assisted audit techniques to recalculate aggregate revenue recognised by extracting independently volume data from the operational retail system and taking into account independently sourced or verified sales prices to address accuracy and existence. We also tested reconciliations between the operational retail and accounting systems to address completeness and cut-off. We have also carried out audit procedures, comprising validation of controls and tests of detail, in respect of cash counts and stock counts covering the retail sales business. 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.

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 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 all of the information in the Annual Financial Report (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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.
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.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of MaltaPost p.l.c. for the year ended 30 September 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

Opinion

In our opinion, the Annual Financial Report for the year ended 30 September 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Financial Report and Financial Statements* 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Statement of Compliance with the Code of Principles of Good Corporate Governance

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.

We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.

We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97.

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

In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Remuneration report

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.

In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services 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 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 which, to the best of our knowledge and belief, we require for our audit.

We also have responsibilities under the Capital Markets 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.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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 24 years. The Parent Company became listed on a regulated market on 24 January 2008.

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Simon Flynn

Partner

19 December 2022