ANNUAL REPORT
& FINANCIAL STATEMENTS 2013

YEARS

Plaza®
CENTRES p.l.c.

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MISSION STATEMENT

To retain our position as
Malta's leader in the property
leasing industry

BOARD OF DIRECTORS

ALBERT MIZZI - CHAIRMAN

Mr. Mizzi was appointed Chairman of the Company in 1986. He has had an active career within the business community in Malta having led a number of major private sector initiatives and is currently Chairman of various companies including MIDI p.l.c., Consolidated Biscuit Co. Ltd., Supermarkets (1960) Ltd., Mizzi Associated Enterprises Ltd., Mellieha Bay Hotel Ltd. and Kemmuna Ltd. Mr. Mizzi is a Director and shareholder in the Alf Mizzi & Sons Group. He has also served for many years as Executive Chairman on various state-owned companies, including Air Malta p.l.c. (19 years), Middle Sea Insurance, Sea Malta and Malta Shipbuilding. He has also served as Chairman of the Malta Council for Economic Development.

DAVID G. CURMI ACII, CHARTERED INSURER
CHIEF EXECUTIVE OFFICER – MSV LIFE P.L.C.

Chief Executive Officer of MSV Life p.l.c., Malta's leading provider of life insurance protection, long term savings and retirement planning. MSV Life p.l.c. is jointly owned between Middlesea Insurance p.l.c. (a member of the MAPFRE Group) and Bank of Valletta p.l.c. David is also Chief Executive Officer and Director of Growth Investments Ltd. a wholly owned subsidiary of MSV Life p.l.c.

David currently holds the position of President of the Malta Chamber of Commerce, Enterprise and Industry and directorships on a number of public and private companies in Malta.

David started his career in the insurance industry over thirty years ago during which time he held various senior executive positions with a number of insurance operators. He is an Associate of the Chartered Insurance Institute of the United Kingdom and a Chartered Insurer. He is also a regular lecturer on a various insurance topics at the University of Malta and at the Malta Insurance Training Centre.

CHARLES J. FARRUGIA

Charles J. Farrugia is a non-Executive Director of Plaza Centres p.l.c. He worked in the banking sector for 35 years and sat on a number of boards and committees within the HSBC Malta Group. Before retirement, in December 2009, he held the post of Head Global Banking & Markets and was a senior executive director of HSBC Malta p.l.c. Charles J. Farrugia holds a number of non-executive directorships with other Maltese companies.

BOARD OF DIRECTORS - CONTINUED

EMANUEL P. DELIA

Graduated in economics from the universities of Malta and Oxford. He was Head of the Department of Economics, University of Malta, between 1990 and 1998. He has published extensively on macroeconomic issues, demographic topics and sectoral studies, with particular reference to the Maltese economy. He has been a consultant to the Food and Agriculture Organisation and the United Nations International Institute on Ageing as well as a Director on various Boards including those of the Central Bank of Malta, Middle Sea Insurance p.l.c., the Malta Development Corporation and AON Malta Limited. He was the Chairman of Mid Med Bank between December 1998 and June 1999 and was a member of three National Commissions (Public Service Reform; Students Stipends Scheme; and Welfare Reform). He is presently Chairman of APS Bank Ltd, APS Consult Ltd, Mercury p.l.c., and Amalgamated Investments SICAV p.l.c., and a member of the Board of the Malta Statistics Authority.

BRIAN R. MIZZI

Mr. Brian Mizzi sits on the Board of Directors of Mizzi Organisation and has over forty years of active service working within the organisation. He serves as Managing Director for The General Soft Drinks Co. Ltd., bottlers and distributors of Coca-Cola products in Malta, and has been actively involved since it was acquired by Mizzi Organisation. Mr. Mizzi is also Managing Director for Arkadia Marketing Ltd., one of Malta's leading shopping centres and a retail company. Mr. Mizzi is also heavily involved in the tourism industry; he is the Managing Director for The Waterfront Hotel, as well as being a Director representing Mizzi Organisation's interests, on the board for Mellieha Bay Hotel and Kemmuna Ltd., owner of the Comino Hotel. Also in Brian Mizzi's directorship portfolio is The Institute of English Language Studies Ltd. of which Mizzi Organisation is a substantial shareholder.

ETIENNE SCIBERRAS

Etienne Sciberras has over twelve years experience in the financial services sector. At present, he serves as Risk Officer for MSV Life p.l.c. Previously, he occupied various positions within the Middlesea Group. Mr. Sciberras is a Fellow of the Chartered Certified Accountants and a Certified Public Accountant. He obtained an Honours Degree in Management from the University of Malta and is also a holder of the right to use the Chartered Financial Analyst® designation.

BOARD OF DIRECTORS - CONTINUED

GERALD J. ZAMMIT

Has been a Plaza Board member and an Executive Director since 2005. Mr. Zammit has been an active member of Plaza's Executive Management Team and Plaza's Marketing Committee since Plaza's inception in 1993. In June 2013, Mr. Zammit was also appointed to Plaza's Audit Committee.

Mr. Zammit also serves as CEO of Link Petroleum Services Ltd, Link Mineral Services Ltd and Agopay Ltd. He is the Managing Partner of Delta Tech Ltd, Managing Director of Creative Marketing Ltd, board member of Sliema's Business Community Association and Chairperson of the Malta Motorsport Federation Historic and Classic Vehicles.

EXECUTIVE MANAGEMENT

LIONEL A. LAPIRA - CHIEF EXECUTIVE OFFICER

Mr. Lapira joined the Company on 1 July 1994 and occupied various positions over the years including Commercial Manager, Company Secretary, Compliance Officer and General Manager in 2000. He has served as a member of the Company's Executive Management Committee since 1994 and was appointed Chief Executive Officer on 1 January 2005, and Chairman of the Plaza Marketing Committee since this date. He has been a member of the International Council of Shopping Centres (ICSC) and British Council of Shopping Centres since 1995 and was awarded accreditation by the ICSC as a Certified Marketing Director in 1999. His responsibilities include business development, finance, health and safety, human resource management and training, leasing, marketing, project management, operations management and security. With qualifications and experience in finance, diplomatic studies, management and marketing, Mr. Lapira obtained his Masters in Business Administration at Henley-Brunel University in 2005. Prior to joining the Company, he occupied a number of senior management positions in the local hospitality, entertainment and leisure industry. Between 1996 and 2004, Mr. Lapira served, on a voluntary basis, on the Board of Governors of a leading, private, not for profit school providing an educational service for 1,000 students and was appointed Chairman of the School Board between 1999 and 2002. In 2008, together with other leading business people in Sliema's Prime Commercial Area, he was a founding member of the Sliema Business Community serving the Business Community's interests until he resigned in 2011.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The Company's principal activity, which is unchanged since last year, is to lease and manage the Plaza Shopping and Commercial Centre.

Review of the business

The revenue of Plaza Centres p.l.c. for the year ended 31 December 2013 was €2,166,589 (2012: €2,251,257) whilst profit before tax amounted to €1,261,621 (2012: €1,331,632). Profit after tax amounted to €792,222 (2012: €821,496) whilst the Company's cost to income ratio remained in line with prior year. In 2013, the average occupancy was 81% (2012: 84%) and at 31 December 2013 the level of occupancy was at 89%. Higher occupancy levels are anticipated by the second quarter of 2014.

Results and dividends

The Company's financial results are set out on page 21. The Directors recommend the payment of a final dividend of €673,389 (2012: €698,272).

Directors

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

Albert Mizzi - Chairman
David G. Curmi
Emanuel P. Delia – elected 31 May 2013
Charles J. Farrugia
Marzena Formosa – resigned 4 January 2013
Brian R. Mizzi
Etienne Sciberras – appointed 9 January 2013
Adrian Strickland – resigned 31 May 2013
Gerald J. Zammit

The Directors are required in terms of the Company's Articles of Association to retire at the forthcoming Annual General Meeting and may offer themselves for re-appointment or re-election.

A shareholder holding not less than 14 per cent of voting rights of the issued share capital or a number of shareholders who between them hold not less than 14 per cent, shall appoint one director for every such 14 per cent holding by letter addressed to the Company. All shares not utilised to make appointments in terms of the above shall be entitled to vote at the Annual General Meeting to elect the remaining directors. The Memorandum and Articles of the Company provide for a Board of Directors of not less than five and not more than seven members.

Share Capital

The Company has an authorised share capital of 75,000,000 ordinary shares of €0.20 each, and issued and fully paid share capital of 28,242,000 ordinary shares with a nominal value of €0.20 each. The Company's share capital consists of only one class of shares, and all shares in that class are admitted to trading on the Malta Stock Exchange. All shares in the Company are freely transferable. There are no shareholders having special control rights in the Company, nor are there any restrictions on voting rights in the Company.

The Company is authorised pursuant to its Memorandum and Articles of Association to purchase its own shares, provided that appropriate authority has been given to the Directors for that purpose. No such authority is currently outstanding.

The Company does not operate any employee share option schemes.

The Company is not aware of any agreements between shareholders with respect to the transfer of shares or the exercise of voting rights.

No disclosures are being made pursuant to Rule 5.64.10 and Rule 5.64.11 as these are not applicable to the Company.

The following are the shareholders holding more than 5 per cent of the voting issued share capital of the Company:

	% holding At 31.12.13	% holding At 17.03.14
MSV Life p.l.c.	28.36	28.36
Rizzo Farrugia & Co (Stockbrokers) Ltd – Nominee Account	9.32	9.95
Mizzi Associated Enterprises Limited	8.02	8.02
Central Mediterranean Development Corporation Limited	8.01	8.01
Lombard Bank Malta p.l.c.	5.07	5.07

Statement of Directors' responsibilities for the financial statements

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

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

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

DIRECTORS' REPORT - CONTINUED

Statement of Directors' responsibilities for the financial statements - continued

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

The financial statements of Plaza Centres p.l.c. for the year ended 31 December 2013 are included in the Annual Report 2013, which is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The Directors further 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 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

Auditors

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

On behalf of the Board

ALBERT MIZZI
Chairman

CHARLES J. FARRUGIA
Director

Registered office:
The Plaza Commercial Centre
Level 6, Bisazza Street
Sliema, SLM 1640
Malta

Company secretary:
Lionel A. Lapira

Telephone Number:
+356 21343832

17 March 2014

CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE

1. Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Plaza Centres p.l.c. (the “**Company**”) should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the “**Code**”). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules, but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the Directors’ and the Company’s commitment to a high standard of governance.

The Board of Directors (the “**Board**”) has carried out a review of the Company’s compliance with the Code for the financial year being reported upon.

2. General

The Company’s governance principally lies in its Board which is responsible for the overall setting of the Company’s policies and business strategies. The Company’s principal activity is to lease and manage the Plaza Shopping and Commercial Centre.

The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the Company, whilst retaining an element of flexibility essential to allow the Company to react promptly and efficiently to the dictates of its business, its size and the economic conditions in which it operates. The Directors are of the view that it has employed structures which are most suitable for the size, nature and operations of the Company. Accordingly in general, the Directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the Company’s requirements.

This corporate governance statement (the “**Statement**”) will now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the Directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement will give an explanation for non-compliance.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code’s main principles and the Code Provisions.

3. Compliance with the Code

Principles One to Five

Principles One to Five of the Code deal fundamentally with the role of the Board and of the Directors.

The Directors believe that for the period under review the Company has generally complied with the requirements for each of these principles.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

Principle One

The Board has throughout the period under review provided the necessary leadership in the overall direction of the Company, and has adopted systems whereby it obtains timely information from the Chief Executive Officer (the "**CEO**"). This ensures an open dialogue between the CEO and Directors at regular intervals, and not only at meetings of the Board. The Directors believe that the attendance of the CEO at Directors' meetings as well as regular reporting and ongoing communication through the Executive Committee has improved the communication between the Board and the CEO.

Principle Two

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the Chairman. Whilst the CEO heads the Executive Committee, the Chairman's main function is to lead the Board, a function which the Board believes has been conducted in compliance with the dictates of Code Provision 2.2.

Principle Three

The composition of the Board, in line with the requirements of Principle Three, is composed of executive and non-executive Directors. During 2013, the Board was composed of two directors having an executive role as part of the Executive Committee and five other Directors acting in a non-executive capacity. The members of the Board at the beginning of the year under review were Mr. Albert Mizzi (Chairman), Mr. David G. Curmi, Mr. Brian R. Mizzi, Mr. Adrian Strickland, Ms. Marzena Formosa, Mr. Charles J. Farrugia, and Mr. Gerald J. Zammit. Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board. Ms. Marzena Formosa resigned from a director and member of the Audit Committee on the 4 January 2013 and was replaced by Mr. Etienne Sciberras with effect from 9 January 2013, as a director, and as a member of the Audit Committee as from 18 February 2013. Mr. Adrian Strickland resigned from a Director on 31 May 2013 following the election of Prof. Emanuel P. Delia during the 2013 Annual General Meeting. On the same date, Mr. Strickland also ceased to be a member of the Audit Committee and was replaced by Mr. Gerald J. Zammit with effect from 17 June 2013.

The Board usually meets every month. Board meetings usually focus on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and *ad-hoc* Committees as may be required from time to time.

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code, notwithstanding the relationships disclosed hereunder. The non-executive Directors who held office at 31 December 2013 were the following:

i) David G. Curmi – is the chief executive officer of MSV Life p.l.c., which company is a shareholder of the Company;
ii) Brian R. Mizzi – is a director of Mizzi Associated Enterprises Limited, which company is a shareholder of the Company;
iii) Prof. Emanuel P. Delia – is the chairman of APS Bank Limited, which company is a shareholder of the Company. Prof. Delia was appointed on the Plaza Board on 31 May 2013.
iv) Mr. Etienne Sciberras – is a senior officer of MSV Life p.l.c., which company is a shareholder of the Company. Mr. Sciberras was appointed on the Plaza Board on 9 January 2013.
v) Charles J. Farrugia – was a director of HSBC Bank (Malta) p.l.c., until 31 August 2013, which company is a shareholder of the Company.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

The non-executive Directors who resigned during the current financial year being reported upon were the following:

i) Adrian Strickland – is a director of Strickland Limited, which company is a shareholder of the Company. Mr. Strickland resigned from director on 31 May 2013 and has served on the Plaza Board since 27 October 1979;
ii) Marzena Formosa – is a senior officer of MSV Life p.l.c., which company is a shareholder of the Company. Ms. Formosa resigned from director with effect from 4 January 2013.

The only relationship that could impact the independence of non-executive Directors refers to their status as directors or senior officers of other entities that are shareholders of the Company.

None of the non-executive Directors:

(a) are or have been employed in any capacity by the Company;
(b) receive significant additional remuneration from the Company;
(c) have close family ties with any of the executive members of the Board;
(d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company; and
(e) have a significant business relationship with the Company.

Principle Four

In terms of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst these are matters which are reserved for the Board to determine, the Board believes that this responsibility includes the appropriate delegation of authority, and accountability for the Company's day to day business, to the Executive Committee in a manner that is designed to provide high levels of comfort to the Directors that there is proper monitoring and accountability apart from the appropriate implementation of policy. Matters relating to administration, finance and strategy are, however, discussed at Board level.

During 2013, the Executive Committee was composed of:

Mr. Albert Mizzi - the Chairman;
Mr. Lionel A. Lapira - the CEO; and
Mr. Gerald J. Zammit - Director.

The activities of the Board are exercised in a manner designed to ensure that it can function independently of management and effectively supervise the operations of the Company. Each Board meeting is presented with a report by the CEO. Such report regularly includes: (i) the Company's management accounts circulated monthly to each Director; (ii) a management commentary on the results and on relevant events and decisions; and (iii) background information on any matter requiring the approval of the Board.

In fulfilling its mandate, the Board assumes responsibility to:

a) Establish appropriate corporate governance standards;
b) Review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) Review, evaluate and approve the Company's budgets and forecasts;
d) Review, evaluate and approve major resource allocations and capital investments;
e) Review the financial and operating results of the Company;
f) Ensure appropriate policies and procedures are in place to manage risks and internal control;
g) Review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

and plans for senior management development including succession;

h) Review, evaluate and approve compensation to senior management; and

i) Review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities.

The Board does not consider it necessary to constitute separate committees to deal, *inter alia*, with item (h) above, as might be appropriate in a larger company. In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and other advisors.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

During the financial year under review, the Board held twelve (12) meetings (2012: 11).

Principle Five

The Board believes that it complies fully with the requirements of this principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time to Directors to prepare themselves for such meetings.

The following is the attendance at board meetings of each of the Directors:

Mr. Albert Mizzi - Chairman	12
Mr. David G. Curmi	8
Mr. Brian R. Mizzi	11
Mr. Adrian Strickland (until 31 May 2013)	5
Mr. Gerald J. Zammit	12
Mr. Charles J. Farrugia	10
Prof. Emanuel P. Delia (from 31 May 2013)	6
Mr. Etienne Sciberras (from 9 January 2013)	11

Principle Six

Principle Six of the Code deals with information and professional development.

The Board believes that this principle has been duly complied with for the period under review. The CEO is appointed by the Directors and enjoys the full confidence of the Board.

Principle Seven

Principle Seven of the Code deals with an evaluation of the Board's performance.

Over the period under review it is the Board's opinion that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. During the year, the Directors carried out a self evaluation performance analysis, including the Chairman and the CEO. The results of this analysis did not require any material changes in the corporate governance Company's structure.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

Principle Eight

Principle Eight A of the Code deals with the establishment of a Remuneration Committee for the Company aimed at developing policies on remuneration for Directors and senior executives and devising appropriate remuneration packages.

The Company has no performance related remuneration payable to its Directors and accordingly, as allowed by Code Provision 8.A.2, it has not appointed a Remuneration Committee, but rather establishes itself the remuneration policies of the Company.

The Board notes that the organisational set-up of the Company consists of 10 employees, of whom 1 is considered to be a senior officer. The size of its human resource does not, in the opinion of the Directors, warrant the establishment of a Remuneration Committee. Remuneration policies have therefore been retained within the remit of the Board itself. The senior officer is entitled to a cash performance bonus, which varies in line with improvements in the Company's profitability. This performance incentive, and its underlying basis, is subject to the review of the Board. No such bonus was paid during the year under review.

The aggregate amount of remuneration paid to all Directors of the Company was €30,878 during 2013 and each Director received an annual remuneration of €3,497, prorated from date of appointment. The aggregate amount of remuneration paid to all Directors also includes the amount of €2,186, prorated from date of appointment, received by each of the three directors which sit on the Audit Committee, amounting in total to €6,437, as an annual Audit Committee remuneration. The Board deems the disclosure of the total emoluments received by the senior officer as commercially sensitive and is hence availing itself of the exemption pursuant to Code Provision 8.A.6.

Principle Eight B of the Code deals with the requirement of a formal and transparant procedure for the appointment of Directors.

The Board believes that the main principle has been duly complied with, in that it is the Articles of Association themselves that establish a formal and transparant procedure for the appointment of Directors. The Articles however do not contemplate the existence of a Nominations Committee as suggested by the Code.

Principles Nine and Ten

Principles Nine and Ten of the Code deal with relations with shareholders and with the market, and institutional shareholders.

The Board is of the opinion that over the period under review, the Company has communicated effectively with the market through a number of company announcements that it published, informing the market of significant events happening within the Company. The Board notes that the reaction of market participants to the Company's communication strategy of important events has been a very positive one.

The Company will soon be holding its 14th Annual General Meeting where the Board intends to communicate directly with shareholders on the performance of the Company over the last financial year and to inform shareholders of the challenges that lie ahead.

Business at the Company's Annual General Meeting covers the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, if any, the election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

Apart from the Annual General Meeting, the Company intends to continue with its active communication strategy in the market, and shall accordingly continue to communicate with its shareholders and the market by way of the Annual Report and Audited Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of Company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner. The Company's website (www.plaza-shopping.com) also contains information about the Company and its business, which is a source of further information to the market.

Principle Eleven

Principle Eleven deals with conflicts of interest and the principle that Directors should always act in the best interests of the Company.

It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. The steps taken will depend on the circumstances of the particular case, and may include the setting up of *ad-hoc* committees of independent Directors that would assist and monitor management as appropriate in the execution of specific transactions. By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Memorandum and Articles of Association. The Board believes that this is a procedure that achieves compliance with both the letter and rationale of principle eleven.

Commercial relationships between the Company and other companies with common Directors and shareholders may include the purchase of supplies and services, and the letting of outlets. Such contracts are entered into in the ordinary course of business and terms and conditions of new contracts negotiated are reviewed by the Company's Audit Committee. During the financial year, these contracts included: supplies and services of €90,861 (2012: €17,435) and income from lettings and premia of €118,880 (2012: €118,293).

As at the date of this Statement, the interests of the Directors in the shares of the Company, including indirect shareholdings through other companies, were as follows:

- Albert Mizzi has an indirect interest in the share capital of the Company by virtue of his ultimate effective holding of 0.06% shares in Mizzi Associated Enterprises Limited and Central Mediterranean Development Corporation Limited that in aggregate hold a 16.03% shareholding in Plaza Centres p.l.c.

- Brian Mizzi has an indirect interest in the share capital of the Company by virtue of his ultimate effective holding of 4.25% shares in Mizzi Associated Enterprises Limited and Central Mediterranean Development Corporation Limited that in aggregate hold a 16.03% shareholding in Plaza Centres p.l.c.

- Gerald J. Zammit has a direct interest in the share capital of the Company by virtue of his holding of 0.84% shares in Plaza Centres p.l.c.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

3. Compliance with the Code - continued

Principle Twelve

Principle Twelve encourages Directors of listed companies to adhere to accepted principles of corporate social responsibility.

The Directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

4. Non-Compliance with the Code

The Directors set out below the Code Provisions with which they do not comply and an explanation as to the reasons for such non-compliance:

Code Provision	Explanation
2.1	Although the posts of the Chairman and the Chief Executive Officer are occupied by different individuals in line with Code Provision 2.1, the division of their responsibilities has not been set out in writing. Nevertheless, the Board feels that there is significant experience and practice that determines the two roles.
2.3	With respect to Code Provision 2.3, the Board notes that the Chairman is also a member of the Executive Committee. However, the Board is of the view that this function of the Chairman does not impinge on his ability to bring to bear independent judgement to the Board.
4.3	For the purposes of Code Provision 4.3, the Board reports that although information sessions were not organised for Directors within the period under review, during its meetings the Board regularly discusses the Company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.
6.4	With respect to Code Provision 6.4, the Board notes that professional development sessions were not organised for the period under review.
7.1	The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1. The Board believes that the size of the Company and the Board itself does not warrant the proliferation of several committees. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an *ad-hoc* committee for this purpose. The Board shall retain this matter under review over the coming year.
8B	The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Directors be appointed by a shareholding qualification to the Board. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of Directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint Directors pursuant to the Articles of Association. The Board, however, intends to keep under review the utility and possible advantages

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

4. Non-Compliance with the Code - continued

Code Provision	Explanation
	of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.
9.3	There are no procedures in place within the Company for the resolution of conflicts between minority and controlling shareholders, nor does the Memorandum and Articles of Association contemplate any mechanism for arbitration in these instances.

5. The Audit Committee

The Company has established an Audit Committee in line with the requirements of the Listing Rules whose principal role is the monitoring of internal systems and control. Unlike the provisions of the Code, which are not mandatory in nature, the Directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. At the beginning of the year under review this Committee consisted of Mr. Charles J. Farrugia, Mr. Adrian Strickland and Ms. Marzena Formosa. Ms. Marzena Formosa ceased being a member of the Audit Committee on 4 January 2013 and was replaced by Mr. Etienne Sciberras with effect from 18 February 2013, whilst Mr. Adrian Strickland ceased being a member of this Committee on 31 May 2013 and was replaced by Mr. Gerald J. Zammit with effect from 17 June 2013. The Directors believe that Mr. Charles J. Farrugia is independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. The Directors believe that Mr. Charles J. Farrugia satisfies the independence criteria as he is independent within the meaning of the Code as explained above in this Statement. Furthermore, Mr. Farrugia is also competent in accounting/auditing given his extensive experience in banking and finance matters and has the necessary skills to undertake the responsibilities required of him. The terms of reference, approved by the Board, are modelled on the recommendations of the Listing Rules.

They include, *inter alia*, the responsibility of reviewing the financial reporting process and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties and the Company's process for monitoring compliance with laws and regulations. The external auditors are invited to attend specific meetings of the Audit Committee and are entitled to convene a meeting if they consider that it is necessary.

When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

In the period under review, the Audit Committee met four (4) times (2012: 4).

6. Internal control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - CONTINUED

6. Internal control - continued

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the CEO and Executive Committee with clear reporting lines and delegation of powers.

Control Environment

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 for the reporting and resolution of improper activities.
The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Risk Identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business.

7. General meetings

The general meeting is the highest decision making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the financial statements and the reports of the Directors and the auditors, the election of Directors, the appointment of auditors and the fixing of remuneration of Directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "Special Business".

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the Company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for such person.

The Directors' statement of responsibilities for preparing the financial statements is set out on pages 7 and 8.

Approved by the Board of Directors on 17 March 2014 and signed on its behalf by:

Albert Mizzi
Chairman

Charles J. Farrugia
Director

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PLAZA CENTRES P.L.C.

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of Plaza Centres p.l.c. on pages 20 to 44 which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on pages 7 and 8, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:
- give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

pwc

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on Other Legal and Regulatory Requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

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

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

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

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

In our opinion, the Statement of compliance set out on pages 9 to 17 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the Directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the Directors, set out on page 8, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

17 March 2014

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013 €	2012 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**27,843,284**	27,913,676
Current assets			
Trade and other receivables	5	**290,255**	336,028
Current tax assets		**9,677**	-
Cash at bank and in hand	6	**16,821**	11,961
Total current assets		**316,753**	347,989
Total assets		**28,160,037**	28,261,665
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**5,648,400**	5,648,400
Share premium	8	**3,094,868**	3,094,868
Revaluation reserve	9	**10,464,331**	10,475,579
Retained earnings		**1,361,492**	1,256,294
Total equity		**20,569,091**	20,475,141
Non-current liabilities			
Trade and other payables	10	**426,868**	476,281
Borrowings	11	**2,429,782**	2,532,703
Deferred tax liabilities	12	**2,913,912**	2,909,278
Total non-current liabilities		**5,770,562**	5,918,262
Current liabilities			
Trade and other payables	10	**547,983**	572,989
Current tax liabilities		**-**	28,911
Borrowings	11	**1,272,401**	1,266,362
Total current liabilities		**1,820,384**	1,868,262
Total liabilities		**7,590,946**	7,786,524
Total equity and liabilities		**28,160,037**	28,261,665

The notes on pages 24 to 44 are an integral part of these financial statements.

The financial statements on pages 20 to 44 were authorised for issue by the Board on 17 March 2014 and were signed on its behalf by:

ALBERT MIZZI
Chairman

CHARLES J. FARRUGIA
Director

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2013 €	2012 €
Revenue	13	**2,166,589**	2,251,257
Marketing costs	14	**(44,843)**	(46,742)
Maintenance costs	14	**(23,457)**	(22,627)
Administrative expenses	14	**(289,929)**	(300,859)
Operating profit before depreciation		**1,808,360**	1,881,029
Depreciation	14	**(370,351)**	(374,293)
Operating profit		**1,438,009**	1,506,736
Finance income	16	**11,680**	11,330
Finance costs	17	**(188,068)**	(186,434)
Profit before tax		**1,261,621**	1,331,632
Tax expense	18	**(469,399)**	(510,136)
Profit for the year – total comprehensive income		**792,222**	821,496
Earnings per share (cents)	20	**2c81**	2c91

The notes on pages 24 to 44 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital €	Share premium €	Revaluation reserve €	Retained earnings €	Total equity €
Balance at 1 January 2012		4,385,738	3,094,868	10,486,827	2,396,354	20,363,787
Comprehensive income						
Profit for the year		-	-	-	821,496	821,496
Other comprehensive income: Depreciation transfer through asset use, net of deferred tax	9	-	-	(11,248)	11,248	-
Total comprehensive income		-	-	(11,248)	832,744	821,496
Transactions with owners						
Re-denomination of share capital through capitalisation of reserves	7	1,262,662	-	-	(1,262,662)	-
Dividends for 2011	21	-	-	-	(710,142)	(710,142)
Total transactions with owners		1,262,662	-	-	(1,972,804)	(710,142)
Balance at 31 December 2012		5,648,400	3,094,868	10,475,579	1,256,294	20,475,141
Comprehensive income						
Profit for the year		-	-	-	792,222	792,222
Other comprehensive income: Depreciation transfer through asset use, net of deferred tax	9	-	-	(11,248)	11,248	-
Total comprehensive income		-	-	(11,248)	803,470	792,222
Transactions with owners						
Dividends for 2012	21	-	-	-	(698,272)	(698,272)
Balance at 31 December 2013		**5,648,400**	**3,094,868**	**10,464,331**	**1,361,492**	**20,569,091**

The notes on pages 24 to 44 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2013 €	2012 €
Cash flows from operating activities			
Cash generated from operations	22	**1,788,200**	1,578,197
Interest received		**11,680**	11,330
Interest paid		**(196,554)**	(187,765)
Income tax paid		**(503,353)**	(487,179)
Net cash generated from operating activities		**1,099,973**	914,583
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(299,959)**	(299,114)
Cash flows from financing activities			
Repayments of bank borrowings	11	**(182,099)**	(267,362)
Dividends paid	21	**(698,272)**	(710,142)
Net cash used in financing activities		**(880,371)**	(977,504)
Net movement in cash and cash equivalents		**(80,357)**	(362,035)
Cash and cash equivalents at beginning of year		**(972,969)**	(610,934)
Cash and cash equivalents at end of year	6	**(1,053,326)**	(972,969)

The notes on pages 24 to 44 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class of property, plant and equipment.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2013

In 2013, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies. IFRS 13 and the Amendment to IAS 1 (which are further described below) introduce new disclosures to the financial statements but do not have any impact on the classification and measurement of the financial statement line items.

The new standard and amendment relevant to the company and which are mandatory for the first time for the financial year beginning on 1 January 2013 are:

Amendment to IAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether subsequently, they are potentially reclassifiable to profit or loss (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards.

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 but are mandatory for the Company's accounting periods beginning after 1 January 2013. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors that makes strategic decisions. The Board of Directors considers the Company to be made up of one segment, that is to lease and manage the Plaza Shopping and Commercial Centre.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the 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

Property, plant and equipment, comprising land and buildings, electrical installations, plant, machinery and equipment, and furniture and fittings are initially recorded at cost. Land and buildings are subsequently shown at market 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 stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost (Note 1.17).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

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 amount to their residual values over their estimated useful lives, as follows:

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1.4 Property, plant and equipment - continued

	%
Buildings	1
Electrical installations	4
Plant, machinery and equipment	5 - 20
Furniture and fittings	3.33 - 33.33

Assets in the course of construction are not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.5).

Gains and losses on disposals are determined by comparing proceeds 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 that asset are transferred to retained earnings.

1.5 Impairment of non-financial assets

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

1.6 Financial assets

1.6.1 Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.7 and 1.8).

1.6.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1.6 Financial assets - continued

provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, which is the date on which the Company commits to purchase or sell the asset. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.6.3 Impairment

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

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

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.7 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.6.3). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1.8 Cash and cash equivalents

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

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown as a deduction in equity from the proceeds.

1.10 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss 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 liabilities are subsequently measured at amortised cost. The Company 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.

1.11 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.

Deferred income comprises advance payments for rent receivable relating to subsequent periods and rental premia that are credited to profit or loss on a straight-line basis over the lease term.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, 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 Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.13 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.

1.14 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 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 nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively 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.

Under this method the Company is required to make a provision for deferred taxes on the revaluation of property, plant and equipment. Such deferred tax is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through profit or loss.

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

Deferred 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 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.

1.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is recognised upon performance of services, and is stated net of sales tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

(a) Rental income

Rents receivable and premia charged to clients are included in the financial statements as revenue. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to profit or loss on a straight-line basis over the period of the lease.

(b) Finance income

Interest income is recognised in profit or loss for as it accrues, unless collectability is in doubt.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1.16 Operating leases

(a) The Company is the lessor

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 accounting policy 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.

(b) The Company is the lessee

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

1.17 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, are capitalised as part of its cost. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially ready for their intended use or sale and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.18 Dividend distribution

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.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The Board provides principles for overall risk management, as well as policies covering risks referred to above.

(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 entity's functional currency. The Company's transactions and recognised assets and liabilities are all denominated in euro and hence the Company is not exposed to foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The Company's significant interest-bearing assets and liabilities, and related interest rate and maturity information, are disclosed in Notes 5 and 11. The Company's cash flow interest rate risk principally arises from bank borrowings issued at variable rates (Note 11), which exposes the Company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. The Company's fair value risk arises from overdue receivables that are however measured at amortised cost. The Company's operating cash flows are substantially independent of changes in market interest rates.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

(b) Credit risk

Financial assets that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and credit exposure to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of each reporting period are analysed as follows:

	2013	2012
	€	€
Loans and receivables category:		
Trade and other receivables (Note 5)	**290,255**	336,028
Cash and cash equivalents (Note 6)	**16,821**	11,961
	307,076	347,989

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount. The Company does not hold any collateral as security in this respect.

Credit risk with respect to cash and cash equivalents is not considered to be significant since the Company's cash is placed with quality financial institutions. Concentration of credit risk with respect to trade receivables is limited due to the number of customers comprising the Company's debtor base. The Company assesses the credit quality of its tenants taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from tenants as at the end of the reporting period. Other than impaired receivables disclosed below, the Company's debtors are principally in respect of transactions with tenants for whom there is no recent history of default. Management does not expect any material losses from non-performance by these tenants.

At 31 December 2013, there were no trade receivables that were considered impaired. At 31 December 2012, trade receivables of €13,025 were considered to be impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables relate to independent customers that are not meeting repayments obligations. Reversals of provisions for impairment arise in those situations where customers settle the balance due. The Company does not hold any collateral as security in respect of the impaired assets. The movements in these provisions are disclosed in Note 14 and are included in 'Administrative expenses' in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2.1 Financial risk factors - continued

(b) Credit risk - continued

At 31 December 2013 and 2012, certain trade receivables were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of trade receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these past due but not impaired trade receivables is disclosed below:

	2013	2012
	€	€
Past due up to 2 months	**4,593**	46,930
Past due over 2 months	**-**	17,847
	4,593	64,777

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 11 and 10 respectively). The Company's current liabilities exceeded its current assets as at the financial year end by €1,503,631 (2012: €1,520,273) as a consequence of partially financing the acquisition and development of new projects through operational cash flows and short-term financing. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, expectations for future income streams from existing and new contracts, coupled with the Company's committed borrowing facilities that it can access to meet liquidity needs as referred to previously and as disclosed in some more detail in Note 11. Such note gives an analysis of the Company's bank borrowings into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and when applicable are inclusive of interest.

Balances due within twelve months are stated at their carrying amount, as the impact of discounting is not significant.

2.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.
The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company 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

At 31 December 2013 and 2012 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the respective current market interest rate is available to the Company for similar financial instruments. The fair value of the Company's non-current liabilities as at the end of the reporting period is not significantly different from the carrying amount in view of the interest rates to which they are exposed.

3. Critical accounting estimates and judgements

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

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

4. Property, plant and equipment

	Land and buildings €	Electrical installations €	Plant, machinery and equipment €	Furniture and fittings €	Total €
At 1 January 2012					
Cost or valuation	25,557,856	1,028,004	3,752,605	1,784,697	32,123,162
Accumulated depreciation	-	(541,479)	(2,713,086)	(879,742)	(4,134,307)
Net book amount	25,557,856	486,525	1,039,519	904,955	27,988,855
Year ended 31 December 2012					
Opening net book amount	25,557,856	486,525	1,039,519	904,955	27,988,855
Additions	188,265	43,068	35,877	31,904	299,114
Depreciation charge	(87,956)	(42,843)	(183,035)	(60,459)	(374,293)
Closing net book amount	25,658,165	486,750	892,361	876,400	27,913,676
At 31 December 2012					
Cost or valuation	25,746,121	1,071,072	3,788,482	1,816,601	32,422,276
Accumulated depreciation	(87,956)	(584,322)	(2,896,121)	(940,201)	(4,508,600)
Net book amount	25,658,165	486,750	892,361	876,400	27,913,676
Year ended 31 December 2013					
Opening net book amount	25,658,165	486,750	892,361	876,400	27,913,676
Additions	141,670	24,684	58,404	75,201	299,959
Depreciation charge	(87,152)	(43,830)	(175,367)	(64,002)	(370,351)
Closing net book amount	**25,712,683**	**467,604**	**775,398**	**887,599**	**27,843,284**
At 31 December 2013					
Cost or valuation	25,887,791	1,095,756	3,846,886	1,891,802	32,722,235
Accumulated depreciation	(175,108)	(628,152)	(3,071,488)	(1,004,203)	(4,878,951)
Net book amount	**25,712,683**	**467,604**	**775,398**	**887,599**	**27,843,284**

Fully depreciated assets which were still in use at 31 December 2013 amounted to €673,850 (2012: €601,298).
Bank borrowings are secured on the Company's land and buildings (refer to Note 11).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

4. Property, plant and equipment - continued

Fair value of land and buildings

The Company's land and buildings were last revalued at 31 December 2011. The revalued amount did not differ materially from the carrying amount of the property as at that date and accordingly no changes to the net carrying amount were accounted for. The revaluation surplus, net of applicable deferred taxes, arising on past revaluations had been credited to the revaluation reserve in the shareholders' equity (Note 9). The directors are of the opinion that the carrying amount of the Company's land and buildings as at the end of current financial period, is an appropriate estimate of its fair value.

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value:
- 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 Company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs. The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the current financial year there were no transfers between the fair value levels.

The Company's land and buildings represent only the Plaza Shopping and Commercial Centre and their current use equates to the highest and best use. A reconciliation between the opening balance and the closing balance of the property's carrying amount is presented in the table above.

Valuation process and techniques

The Company's property is valued on periodic, but at least triennial, valuation by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the audit committee and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held between these parties.

At the end of every reporting period during which an external valuation is not carried out, the CEO also assesses whether any significant changes in actual circumstances, income streams, results and developments have been experienced since the last external valuation. Findings are discussed with the audit committee, and an adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change.

The valuation was determined using discounted cash flow projections considering, *inter alia*, the projected future earnings from the Plaza Shopping and Commercial Centre, in the main based on current rental contracts projected over the longer term, its ongoing maintenance needs, and other relevant market factors. Accordingly, the significant unobservable inputs applied in the Company's valuation are the following:
- Earnings before interest, tax, depreciation and amortisation (EBITDA): which is based on the Company's existing rental income streams less operating costs (before depreciation) which include marketing and maintenance expenses. The EBITDA for 2014 is estimated at €2.05 million.
- Growth rate, at an average of 4%: represents the estimated average growth of the Company's rentals.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

4. Property, plant and equipment - continued

- A discount rate of 11% was applied in estimating the net present value of the projected operating future cash flows of the property. This discount rate is principally based on current market risk free rates, an equity market risk premium and other risk premiums attached to an investment in the property being valued including any element of projection risk inherent in the projected future cash flows.

Generally, an increase in the EBITDA and the growth rate will result in an increase to the fair value of the property. Conversely, a lower discount rate will give a higher fair value.

Historical cost of land and buildings

The carrying value of land and buildings would have been as follows had these assets been included in the financial statements at cost less depreciation:

	2013	2012
	€	€
Cost	**12,261,043**	12,119,373
Accumulated depreciation	**(702,574)**	(632,727)
Net book amount	**11,558,469**	11,486,646

5. Trade and other receivables

	2013	2012
	€	€
Current		
Trade receivables on rental and other income – gross	**192,759**	290,654
Less: Provision for impairment of trade receivables	**-**	(13,025)
Trade receivables – net	**192,759**	277,629
Prepayments and accrued income	**97,496**	58,399
	290,255	336,028

Interest on overdue receivables is charged at a rate of 6% (2012: 6%).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

6. Cash and cash equivalents

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2013	2012
	€	€
Cash at bank and in hand	**16,821**	11,961
Bank overdraft (Note 11)	**(1,070,147)**	(984,930)
	(1,053,326)	(972,969)

7. Share capital

	2013	2012
	€	€
Authorised		
75,000,000 ordinary shares of €0.20 each	**15,000,000**	15,000,000
Issued and fully paid		
28,242,000 ordinary shares of €0.20 each	**5,648,400**	5,648,400

On 24 May 2012, by virtue on an extraordinary resolution, the shareholders resolved that:

(a) The nominal value of the Company's shares is re-denominated from €0.465874 per share to €0.60 per share, and accordingly that the authorised share capital of the Company is increased from €11,648,000 to €15,000,000 divided into 25,000,000 shares of €0.60 each share.

(b) The issued share capital of the Company composed of 9,414,000 ordinary shares is re-denominated from a nominal value of €0.465874 each share to €0.60 each share, through the capitalisation of €1,262,662 from retained earnings, increasing the issued share capital of the Company from €4,385,738 to €5,648,400.

(c) Following the re-denomination set out above, the nominal value of the Company's share capital is again re-denominated and converted from €0.60 each share to €0.20 each share. Accordingly, the authorised share capital of €15,000,000 is divided into 75,000,000 shares of €0.20 each share, and the issued share capital of €5,648,400 is divided into 28,242,000 ordinary shares of €0.20 each share, allocated proportionately to eligible members at a ratio of 3 new shares for each registered share.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

8. Share premium

	2013	2012
	€	€
At beginning and end of year	**3,094,868**	3,094,868

The share premium arose in previous financial years on the issue of 2,050,000 ordinary shares at a premium of €1.509691 per share.

9. Revaluation reserve

	2013	2012
	€	€
At beginning of year, before deferred tax	**13,145,546**	13,162,851
Transfer upon realisation through asset use	**(17,305)**	(17,305)
At end of year, before deferred tax	**13,128,241**	13,145,546
Deferred taxation (Note 12)	**(2,663,910)**	(2,669,967)
At end of year	**10,464,331**	10,475,579

The tax impact relating to components of other comprehensive income is presented in the above table and in Note 12.

The revaluation reserve is non-distributable.

10. Trade and other payables

	2013	2012
	€	€
Current		
Trade payables	**82,574**	154,934
Indirect taxation	**27,055**	37,812
Other payables	**15,561**	14,852
Accruals	**197,956**	205,832
Deferred income	**224,837**	159,559
	547,983	572,989
Non-current		
Deferred income	**426,868**	476,281

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

11. Borrowings

	2013	2012
	€	€
Current		
Bank overdraft	**1,070,147**	984,930
Bank loans	**281,432**	281,432
	1,351,579	1,266,362
Non-current		
Bank loans	**2,350,604**	2,532,703
Total borrowings	**3,702,183**	3,799,065

The Company's loan facilities as at 31 December 2013 amounted to €2,632,036 (2012: €2,814,135). The Company also avails itself of a general facility amounting to €1,200,000 which may be increased to €1,500,000 should it be necessary. The bank borrowings are secured by a special and general hypothec over the Company's assets and by a pledge over the insurance policies of the Company.

The interest rate exposure of the borrowings of the Company was as follows:

	2013	2012
	€	€
Total borrowings:		
At floating rates	**3,702,183**	3,799,065

The weighted average effective interest rates at the end of the reporting period were as follows:

	2013	2012
	%	%
Bank overdraft	**4.6**	5.0
Bank loans	**4.6**	5.0

The following are the contracted undiscounted cash flows of the Company's bank loans analysed into relevant maturity groupings based on the remaining term at the end of the reporting period to the maturity date:

	2013	2012
	€	€
Within 1 year	**409,609**	418,218
Between 1 and 2 years	**386,600**	404,147
Between 2 and 5 years	**1,081,057**	1,128,011
Later than 5 years	**1,381,594**	1,636,363
	3,258,860	3,586,739
Carrying amount	**2,632,036**	2,814,135

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

12. Deferred taxation

Deferred taxes are calculated on 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 by the end of the reporting period. The principal tax rate used is 35% (2012: 35%), with the exception of deferred tax on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 12% of the transfer value.

The movement on the deferred tax account is as follows:

	2013	2012
	€	€
At beginning of year	**(2,909,278)**	(2,907,501)
Realisation through assets' use (Note 18)	**6,057**	6,057
Deferred tax on other temporary differences (Note 18)	**(10,691)**	(7,834)
At end of year	**(2,913,912)**	(2,909,278)

All the amounts referenced to Note 18 as disclosed in the table above, are recognised in profit or loss.

The balance at 31 December represents:

	2013	2012
	€	€
Temporary differences attributable to deferred premium income	**166,698**	189,544
Temporary differences arising on depreciation of property, plant and equipment	**(416,700)**	(433,414)
Temporary differences on fair valuation of property	**(2,663,910)**	(2,669,967)
Temporary differences on provision for impairment of trade receivables	**-**	4,559
	(2,913,912)	(2,909,278)

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

13. Revenue

The Company's revenue is principally derived from rental income attributable to retail outlets and office space in the 'Plaza Shopping and Commercial Centre'.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

14. Expenses by nature

	2013 €	2012 €
Employee benefit expense (Note 15)	**267,404**	239,863
Depreciation of property, plant and equipment (Note 4)	**370,351**	374,293
Motor vehicle operating lease rentals payable	**13,164**	13,164
Directors' emoluments (Note 19)	**30,878**	30,131
Movement in provision for impairment of trade receivables	**(13,025)**	-
Other expenses	**59,808**	87,070
Total operating costs	**728,580**	744,521

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2013 and 2012 relate to the following:

	2013 €	2012 €
Annual statutory audit	**8,450**	8,200
Tax advisory and compliance services	**1,970**	2,675
Other non-audit services	**934**	4,026
	11,354	14,901

15. Employee benefit expense

	2013 €	2012 €
Wages and salaries	**249,684**	223,946
Social security costs	**17,720**	15,917
	267,404	239,863

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

	2013	2012
Administration	**4**	4
Maintenance	**5**	5
Security	**1**	1
	10	10

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

16. Finance income

	2013 €	2012 €
Interest income on trade receivables	**11,680**	11,330

17. Finance costs

	2013 €	2012 €
Interest on bank loans and overdraft	**188,068**	186,434

18. Tax expense

	2013 €	2012 €
Current taxation:		
Current tax expense	**464,512**	492,153
Adjustment recognised in financial period for current		
tax of prior periods	**253**	16,206
Deferred tax expense (Note 12)	**4,634**	1,777
	469,399	510,136

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

	2013 €	2012 €
Profit before tax	**1,261,621**	1,331,632
Tax on profit at 35%	**441,567**	466,071
Tax effect of:		
- non-deductible depreciation	**24,448**	24,728
- non-deductible expenses	**3,131**	3,131
- adjustment to tax in previous years	**253**	16,206
Tax charge in the accounts	**469,399**	510,136

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

19. Directors' emoluments

	2013	2012
	€	€
Directors' fees	**30,878**	30,131

The Company has paid insurance premiums of €2,108 (2012: €2,223) during the year in respect of professional indemnity in favour of its Directors and senior officers.

20. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Net profit attributable to shareholders (€)	**792,222**	821,496
Weighted average number of ordinary shares in issue	**28,242,000**	28,242,000
Earnings per share (€ cents)	**2c81**	2c91

21. Dividend

At the forthcoming Annual General Meeting a final net dividend in respect of 2013 of €0.0238 per share, amounting to a total net dividend of €673,389 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2014. The net dividends declared in respect of 2012 and 2011 were €698,272 (€0.0247 per share) and €710,142 (€0.0251 per share) respectively.

22. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2013	2012
	€	€
Operating profit	**1,438,009**	1,506,736
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**370,351**	374,293
Deferred premium income	**(65,268)**	(81,112)
Movement in provision for impairment of trade receivables (Note 5)	**(13,025)**	-
Changes in working capital:		
Trade and other receivables	**58,798**	(28,467)
Trade and other payables	**(665)**	(193,253)
Cash generated from operations	**1,788,200**	1,578,197

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

23. Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2013	2012
	€	€
Authorised but not contracted	**460,000**	235,000

24. Operating lease commitments

(a) Where the Company is the lessor

Future minimum lease payments due to the Company under non-cancellable operating leases are as set out below. They are determined by reference to the point in time in the rental contract when the tenant is given the option to cancel a lease without the requirement of any additional payment thereon.

	2013	2012
	€	€
Not later than 1 year	**2,039,963**	1,547,230
Later than 1 year and not later than 5 years	**1,949,735**	1,707,445
	3,989,698	3,254,675

(b) Where the Company is the lessee

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

	2013	2012
	€	€
Not later than one year	**-**	13,164

25. Related party transactions

No transactions with related parties as defined by IAS 24 were carried out during the year.

Key management personnel compensation, consisting of Directors' remuneration is disclosed in Note 19 to these financial statements.

26. Statutory information

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

SHOPPING CENTRE:

BUSINESS CENTRE:

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