PLAZA CENTRES P.L.C

Annual Report and Financial Statements

31 December 2011

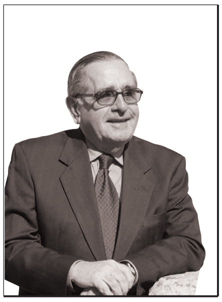
Plaza CENTRES p.l.c.

COMPANY REGISTRATION NUMBER: C564

Mission Statement

To retain our position as Malta's leader in quality retailing and to use our strength to stimulate further growth.

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 HSBC Bank Malta p.l.c., 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

Formerly: Managing Director of Citadel Insurance Services Ltd. and Citadel Insurance p.l.c., Director of Medpoint Insurance Brokers Ltd., Director of Mediterranean Survey Bureau Ltd., Director of International Insurance Management Services Ltd., Director of EuroMed Risk Solutions Ltd., President of the Malta Insurance Association, Honorary Secretary of the Malta Chamber of Commerce, Vice President of the Malta Chamber of Commerce, Governor of Finance Malta.
At Present: Chief Executive Officer of MSV Life p.l.c., Malta's leading life insurance company. Chief Executive Officer and Director of Growth Investments Ltd., Director of Plaza Centres p.l.c., Director of Midi p.l.c., Director of Premium Realty Ltd., Council Member of the Malta Insurance Association, Director of the Protection and Compensation Fund, Chairman of L.B. Factors Ltd
Mr Curmi 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 in the Maltese market.
Mr. Curmi is an Associate of the Chartered Insurance Institute of the United Kingdom and a Chartered Insurer. Mr. Curmi is a regular lecturer on various insurance topics at the University of Malta and at the Malta Insurance Training Centre.

Marzena Formosa, *Chief Investment Officer MSV Life p.l.c., Maltese*

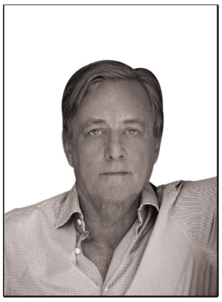
Joined Middlesea Group in 1996 and occupied various positions within the Group Investments unit.

At present: Chief Investment Officer of MSV Life p.l.c.

Holds a Masters degree in Economics and a Masters degree in Financial Services.

Charles J. Farrugia

Charles J. Farrugia is a non-Executive Director of Plaza 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 Farrugia still holds a non-executive directorship with HSBC Bank Malta p.l.c. as well as non-executive directorships in other Maltese companies.



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

Gerald J. Zammit

Has been a Plaza Board member since 2005 and has been an active member of Plaza's Executive Management Team and Plaza's Marketing Committee since Plaza's inception in 1993. Mr. Zammit is board member of Sliema's Business Community Association. He also serves as CEO of Agopay, an online payment processing service provider and CEO of Seasus Innova, a technology and social media enterprise. He is aso the Managing Director of Creative Marketing International, and Marketing Consultant at Communqué Creative. Mr. Zammit is chairperson of Malta Motorsport Federation Historic and Classic vehicles committee.

Adrian Strickland KM

Mr. Strickland was formerly Chairman of CAM Group and has been Senior Vice President of the Malta Chamber of Commerce. Presently, he is Chairman of Strickland Ltd.

Executive Management

Lionel A. Lapira *Chief Executive Officer*

Mr. Lapira joined the Company on 1 July 1994 and has since occupied a number of posts within the Company including Commercial Manager, Company Secretary, Compliance Officer and member of the Company's Executive Management Committee, He has been a member of the ICSC (International Council of Shopping Centres) since 1995 and in 1999 was awarded AMD (Accredited Marketing Director), CMD (Certified Marketing Director) status by the ICSC. In January 2000, the Company appointed him General Manager with responsibilities for operations, human resources, leasing, marketing and property management. With qualifications and experience in management, finance, marketing and diplomatic studies, Mr. Lapira obtained his MBA at Henley-Brunel University in 2005. Prior to joining Plaza Centres p.l.c., he occupied senior management positions in the local hospitality, entertainment and leisure industry. Mr. Lapira was appointed Chief Executive Officer on 1 January 2005 and has since served as Chairperson of Plaza's Marketing Committee

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2011.

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

Plaza Centres p.l.c.'s revenue for the year ended 31 December 2011 was €2,198,894 (2010: €2,061,794) whilst profit before tax amounted to €1,313,139 (2010: €1,309,815). Profit after tax amounted to €835,461 (2010: €832,700) whilst the Company's cost to income ratio remained in line with prior year. In 2011, occupancy was 92% (2010: 96%) in spite of the increase in rentable area of 1,700 square metres following the completion of extension III in March 2011. Similar occupancy levels are anticipated for 2012.

Results and dividends

The financial results are set out on page 21. The directors recommend the payment of a final dividend of €710,142 (2010: €707,795).

Directors

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

Albert Mizzi - Chairman
David G. Curmi
Charles J. Farrugia
Brian R. Mizzi
Adrian Strickland
Marzena Formosa
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.

Directors' Report (Continued)

Share capital

The Company has an authorised share capital of 25,000,000 ordinary shares of €0.465874 each and issued and fully paid share capital of 9,414,000 ordinary shares with a nominal value of €0.465874 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 31.12.11	**% holding At 08.03.12**
MSV Life p.l.c.	**28.36**	**28.36**
HSBC Bank p.l.c. as Custodian for Ammt Sicavs Malta	**8.91**	**10.17**
Mizzi Associated Enterprises Limited	**8.02**	**8.02**
Cenmed 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.

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

Directors' Report (Continued)

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 2011 are included in the Annual Report 2011, 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 2011, 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 8
Bisazza Street
Sliema SLM 1640
Malta
8 March 2012

Corporate Governance Statement

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.

Corporate Governance Statement (Continued)

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.

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 2011 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 for 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.

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, namely:

i. David G. Curmi – is a senior officer of Middle Sea Insurance 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. Mr. Adrian Strickland – is a director of Strickland Limited, which company is a shareholder of the Company. Mr. Adrian Strickland has served on the Board of the Company for more than twelve consecutive years;
iv. Marzena Formosa – is a senior officer of Middle Sea Insurance p.l.c. which company is a shareholder in the Company;
v. Charles J. Farrugia – is a director of HSBC Bank (Malta) p.l.c., which company is a shareholder in the Company.

Corporate Governance Statement (Continued)

3 | Compliance with the Code (Continued)

Principle Three (Continued)

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 to, 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 2011, the Executive Committee was composed of:

Mr. Albert Mizzi – the Chairman;
Mr. Lionel 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 and plans for senior management development including succession;

Corporate Governance Statement (Continued)

3 | Compliance with the Code (Continued)

Principle Four (Continued)

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 ten (10) meetings (2010: nine (9)).

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	10
Mr. David G. Curmi	7
Mr. Brian R. Mizzi	3
Mr. Adrian Strickland	9
Ms. Marzena Formosa	8
Mr. Charles J. Farrugia	10
Mr. Gerald J. Zammit	9

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.

Corporate Governance Statement (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 8A.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 8 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 €29,252 during 2011 and each Director received an annual remuneration of €3,296. The aggregate amount of remuneration paid to all Directors also includes the amount of €2,060 received by each of the three non-executive directors which sit on the Audit Committee, amounting in total to €6,180, 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 8B - This principle 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 12th 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

Corporate Governance Statement (Continued)

3 | Compliance with the Code (Continued)

Principle Nine and Ten (Continued)

emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration.

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 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 €19,921 (2010: €29,889) and income from lettings and premia of €132,435 (2010: €200,749).

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 (shares held):

Director	**Beneficial interests**
Brian R. Mizzi	755,095
Albert Mizzi	754,280
Adrian Strickland	110,031
Gerald J. Zammit	125,100

Corporate Governance Statement (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. Moreover, the Company is fully committed towards organising the information sessions described in Code Provision 4.3 in the future.
6.4	With respect to Code Provision 6.4, the Board notes that professional development sessions were not organised for the period under review. However, the Board intends to hold such sessions over the coming year.
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

Corporate Governance Statement (Continued)
4 | Non-Compliance with the Code (Continued)

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 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. This Committee is made up of Mr. Charles J. Farrugia, Mr. Adrian Strickland and Ms. Marzena Formosa. 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 five (5) times during 2011 (2010: five (5)).

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

Corporate Governance Statement (Continued)
6 | Internal Control (Continued)

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, balance sheets 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 8 March 2012 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 2011

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 2011 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 2011, 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.

Independent Auditor's Report (Continued)

Report on Other Legal and Regulatory Requirements

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.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. Our responsibilities do not extend to any other information.

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 4, 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
167 Merchant Sreet
Valletta
Malta

Romina Soler
Partner
8 March 2012

Statement of Financial Position

	Notes	2011 €	2010 €
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**27,988,855**	28,022,993
Current assets			
Trade and other receivables	5	**307,561**	343,844
Cash at bank and in hand	6	**10,293**	12,225
Total current assets		**317,854**	356,069
Total assets		**28,306,709**	28,379,062
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**4,385,738**	4,385,738
Share premium	8	**3,094,868**	3,094,868
Revaluation reserve	9	**10,486,827**	10,498,075
Retained earnings		**2,396,354**	2,257,440
Total equity		**20,363,787**	20,236,121
Non-current liabilities			
Borrowings	10	**2,807,872**	2,549,567
Deferred tax liabilities	11	**2,907,501**	2,896,462
Trade and other payables	12	**548,879**	633,409
Total non-current liabilities		**6,264,252**	6,079,438
Current liabilities			
Borrowings	10	**894,852**	1,315,221
Trade and other payables	12	**776,087**	731,450
Current tax liabilities		**7,731**	16,832
Total current liabilities		**1,678,670**	2,063,503
Total liabilities		**7,942,922**	8,142,941
Total equity and liabilities		**28,306,709**	28,379,062

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 8 March 2012 and were signed on its behalf by:

Albert Mizzi
Chairman

Charles J. Farrugia
Director

Statement of Comprehensive Income

	Notes	Year ended 31 December 2011 €	2010 €
Revenue		**2,198,894**	2,061,794
Marketing costs	13	**(49,107)**	(62,423)
Maintenance costs	13	**(23,702)**	(16,393)
Administrative expenses	13	**(285,454)**	(264,353)
Operating profit before depreciation		**1,840,631**	1,718,625
Depreciation	13	**(360,502)**	(333,925)
Operating profit		**1,480,129**	1,384,700
Finance income	15	**17,043**	16,277
Finance costs	16	**(184,033)**	(91,162)
Profit before tax		**1,313,139**	1,309,815
Tax expense	17	**(477,678)**	(477,115)
Profit for the year – total comprehensive income		**835,461**	832,700
Earnings per share (cents)	19	**8c87**	8c85

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 2010		4,385,738	3,094,868	10,509,323	2,204,268	20,194,197
Comprehensive income						
Profit for the year		-	-	-	832,700	832,700
Other comprehensive income:						
Depreciation transfer through asset use, net of deferred tax	9	-	-	(11,248)	11,248	-
Total comprehensive income		-	-	(11,248)	843,948	832,700
Transactions with owners						
Dividends for 2009	20	-	-	-	(790,776)	(790,776)
Balance at 31 December 2010		4,385,738	3,094,868	10,498,075	2,257,440	20,236,121
Comprehensive income						
Profit for the year		-	-	-	835,461	835,461
Other comprehensive income:						
Depreciation transfer through asset use, net of deferred tax	9	-	-	(11,248)	11,248	-
Total comprehensive income		-	-	(11,248)	846,709	835,461
Transactions with owners						
Dividends for 2010	20	-	-	-	(707,795)	(707,795)
Balance at 31 December 2011		**4,385,738**	**3,094,868**	**10,486,827**	**2,396,354**	**20,363,787**

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

Statement of Cash Flows

	Notes	Year ended 31 December 2011 €	2010 €
Cash flows from operating activities			
Cash generated from operations	21	**2,081,183**	1,289,848
Interest received		**17,043**	16,277
Interest paid		**(135,395)**	(71,403)
Income tax paid		**(475,740)**	(426,297)
Net cash generated from operating activities		**1,487,091**	808,425
Cash flows from investing activities			
Purchase of property, plant and equipment		**(619,164)**	(1,217,042)
Net cash used in investing activities		**(619,164)**	(1,217,042)
Cash flows from financing activities			
Increase in borrowings	10	**309,090**	1,043,715
Dividends paid	20	**(707,795)**	(790,776)
Net cash (used in)/generated from financing activities		**(398,705)**	252,939
Net movement in cash and cash equivalents		**469,222**	(155,678)
Cash and cash equivalents at beginning of year		**(1,080,156)**	(924,478)
Cash and cash equivalents at end of year	6	**(610,934)**	(1,080,156)

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 2011

In 2011, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2011. 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. IAS 24, Related Party Disclosures, however clarifies and simplifies the definition of a related party, and also introduces a partial exemption for government-related entities from disclosing certain details of transactions with the government and other government-related entities. As a result of this clarification, certain parties which were under the previous version of IAS 24 considered to be related parties to the Company are no longer considered to be related parties under IAS 24 (Revised). Related party transactions disclosures in this regard have been amended accordingly to reflect transactions carried out with parties that meet the current definition of related parties.

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 2011. 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. Summary of significant accounting policies (Continued)

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. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

1. Summary of significant accounting policies (Continued)

1.4 Property, plant and equipment (Continued)

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

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

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

1. Summary of significant accounting policies (Continued)

1.6 Financial assets (Continued)

1.6.1 Classification (Continued)

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 provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. 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 Company 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. Summary of significant accounting policies (Continued)

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). 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.

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.

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

1. Summary of significant accounting policies (Continued)

1.12 Borrowings (Continued)

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 liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method the Company is required to make a provision for deferred taxes on the revaluation of certain non-current assets. 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 comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Sales are recognised upon performance of services, net of sales tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured; 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:

1. Summary of significant accounting policies (Continued)

1.15 Revenue recognition (Continued)

(a) Rendering of services

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 made under operating leases are credited to profit or loss on a straight-line basis over the period of the lease.

(b) Finance income

Finance income is accounted for as it accrues, unless collectability is in doubt.

1.16 Operating leases – where 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.

1.17 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. 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 complete 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 risks factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow 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.

(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, 6 and 10. The Company's interest rate risk principally arises from bank borrowings issued at variable rates (Note 10), 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.

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:

	2011	2010
	€	€
Loans and receivables category:		
Trade and other receivables (Note 5)	**307,561**	343,844
Cash and cash equivalents (Note 6)	**10,293**	12,225
	317,854	356,069

2. Financial risk management *(Continued)*

2.1 Financial risks factors (Continued)

(b) Credit risk - Continued

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. 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. The Company's receivables, which are not impaired financial assets, 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.

(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 10 and 12). The Company's current liabilities exceeded its current assets as at the financial year end by €1,360,816 (2010: €1,707,434) 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 10.

The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

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

2. Financial risk management *(Continued)*

2.2 Capital risk management (Continued)

reporting period is deemed adequate by the directors.

2.3 Fair values of financial instruments

At 31 December 2011 and 2010 the carrying amounts of cash at bank, receivables, payables, accrued expenses and current 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 carrying amount of non-current borrowings are reasonable estimates of fair value in view of the interest that accrues on these borrowings.

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.

As referred in Note 4, the Company's land and buildings were revalued by the directors as at 31 December 2011. This valuation has been made on the basis of independent professional advice which has considered, *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. The revalued amount does not differ materially from the carrying amount of property, plant and equipment as at 31 December 2011.

4. Property, plant and equipment

	Land and buildings €	Electrical installations €	Plant, machinery and equipment €	Furniture and fittings €	Total €
At 1 January 2010					
Cost or valuation	24,509,998	927,573	3,454,207	1,617,159	30,508,937
Accumulated depreciation	(69,692)	(463,768)	(2,366,124)	(762,277)	(3,661,861)
Net book amount	24,440,306	463,805	1,088,083	854,882	26,847,076
Year ended 31 December 2010					
Opening net book amount	24,440,306	463,805	1,088,083	854,882	26,847,076
Additions	1,096,378	90,375	236,003	87,086	1,509,842
Depreciation charge	(70,698)	(37,497)	(168,983)	(56,747)	(333,925)
Closing net book amount	25,465,986	516,683	1,155,103	885,221	28,022,993
At 31 December 2010					
Cost or valuation	25,606,376	1,017,948	3,690,210	1,704,245	32,018,779
Accumulated depreciation	(140,390)	(501,265)	(2,535,107)	(819,024)	(3,995,786)
Net book amount	25,465,986	516,683	1,155,103	885,221	28,022,993
Year ended 31 December 2011					
Opening net book amount	25,465,986	516,683	1,155,103	885,221	28,022,993
Additions	173,461	10,056	62,395	80,452	326,364
Depreciation charge	(81,591)	(40,214)	(177,979)	(60,718)	(360,502)
Closing net book amount	**25,557,856**	**486,525**	**1,039,519**	**904,955**	**27,988,855**
At 31 December 2011					
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**

In 2011, borrowing costs of €11,588 (2010: €78,545) arising on the financing of the extension of the Plaza Shopping Centre were capitalised and are included in 'Additions' till 31 March 2011. A capitalisation rate of 5.0% (2010: 5.0%) was used, representing the actual borrowing cost of the funds used to finance the project.

As at 31 December 2011 there were no assets in the course of construction. As at 31 December 2010, assets in the course of construction included tangible assets amounting to €1,926,129 comprising €1,615,119 relating to land and buildings, €189,946 relating to plant, machinery and equipment, relating to electrical installations and €40,534 relating to furniture and fittings. In 2010 no depreciation had been charged on these assets as they had not yet been put into use by the end of that year.

4. Property, plant and equipment (Continued)

Fully depreciated assets which were still in use at 31 December 2011 amounted to €583,089 (2010: €568,909).

The Company's land and buildings were revalued at 31 December 2011 on the basis of an open market valuation by an independent professionally qualified valuer. The revalued amount does not differ materially from the carrying amount of property, plant and equipment as at 31 December 2011 and accordingly no changes to the net carrying amount were accounted for.

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:

	2011 **€**	2010 €
Cost	**11,931,108**	11,757,648
Accumulated depreciation	**(562,076)**	(497,790)
Net book amount	**11,369,032**	11,259,858

5. Trade and other receivables

	2011 **€**	2010 €
Current		
Trade receivables on premia	**-**	12,629
Trade receivables on rental and other income	**278,849**	263,285
Trade receivables – gross	**278,849**	275,914
Less: Provision for impairment of trade receivables	**(13,025)**	(33,618)
Trade receivables – net	**265,824**	242,296
Indirect taxation	**-**	34,329
Prepayments and accrued income	**41,737**	67,219
	307,561	343,844

Interest on overdue receivables is charged at a rate of 6.0% (2010: 6.0%).

6. Cash and cash equivalents

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

	2011 €	2010 €
Cash at bank and in hand	**10,293**	12,225
Bank overdraft (Note 10)	**(621,227)**	(1,092,381)
	(610,934)	(1,080,156)

7. Share capital

	2011 €	2010 €
Authorised		
25,000,000 ordinary shares of €0.465874 each	**11,646,850**	11,646,850
Issued and fully paid		
9,414,000 ordinary shares of €0.465874 each	**4,385,738**	4,385,738

8. Share premium

	2011 €	2010 €
At beginning and end of year	**3,094,868**	3,094,868

The share premium arose on the issue of 2,050,000 ordinary shares with a nominal value of €0.465874 each at a premium of €1.509691 per share.

9. Revaluation reserve

	2011 €	2010 €
At beginning of year, before deferred tax	**13,180,156**	13,197,461
Transfer to retained profits through asset use	**(17,305)**	(17,305)
At 31 December, before deferred tax	**13,162,851**	13,180,156
Deferred tax (Note 11)	**(2,676,024)**	(2,682,081)
At end of year	**10,486,827**	10,498,075

The revaluation reserve is non-distributable.

10. Borrowings

	2011 €	2010 €
Non-current		
Bank loans	**2,807,872**	2,549,567
Current		
Bank overdraft (Note 6)	**621,227**	1,092,381
Bank loans	**273,625**	222,840
	894,852	1,315,221
Total borrowings	**3,702,724**	3,864,788

The Company's banking facilities as at 31 December 2011 amounted to €4,311,828 (2010: €4,377,278). 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:

	2011 €	2010 €
Total borrowings:		
At floating rates	**3,702,724**	3,864,788

10. Borrowings (Continued)

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

	2011	2010
	%	%
Bank overdraft	**5.0**	5.0
Bank loans	**5.0**	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 period at the end of the reporting period to the maturity date:

	2011	2010
	€	€
Within 1 year	**423,965**	233,982
Between 1 and 2 years	**411,825**	527,770
Between 2 and 5 years	**1,162,638**	1,430,798
Later than 5 years	**2,007,357**	1,024,635
	4,005,784	3,217,185
Carrying amount	**3,081,497**	2,772,407

11. Deferred tax

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% (2010: 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:

	2011	2010
	€	€
At beginning of year	**(2,896,462)**	(2,879,432)
Debited to profit or loss (Note 17)	**(11,039)**	(17,030)
At end of year	**(2,907,501)**	(2,896,462)

11. Deferred tax (Continued)

All the amounts referenced to Note 17 as disclosed in the table above are recognised in the statement of comprehensive income.

	2011	2010
	€	€
Temporary differences attributable to deferred premium income	**217,933**	247,989
Temporary differences arising on non-current assets	**(453,969)**	(474,136)
Temporary differences on asset revaluation	**(2,676,024)**	(2,682,081)
Temporary differences on provisions	**4,559**	11,766
	(2,907,501)	(2,896,462)

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

12. Trade and other payables

	2011	2010
	€	€
Current		
Trade payables	**84,172**	65,144
Capital payables	**-**	295,443
Indirect taxes and social security	**17,937**	-
Other payables	**8,519**	14,320
Accruals	**331,865**	222,952
Deferred income	**333,594**	133,591
	776,087	731,450
Non-current		
Deferred income	**548,879**	633,409

13. Expenses by nature

	2011	2010
	€	€
Employee benefit expense (Note 14)	**199,513**	183,320
Depreciation (Note 4)	**360,502**	333,925
Directors' emoluments (Note 18)	**29,252**	28,400
Provision for impairment of trade receivables	**(20,593)**	33,618
Amounts written off in respect of trade receivables	**33,618**	-
Other expenses	**116,473**	97,831
Total operating costs	**718,765**	677,094

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2011 and 2010 relate to the following:

	2011	2010
	€	€
Annual statutory audit	**8,150**	6,600
Other assurance services	**1,150**	1,150
Tax advisory and compliance services	**1,870**	668
	11,170	8,418

14. Employee benefit expense

	2011	2010
	€	€
Wages and salaries	**187,461**	172,366
Social security costs	**12,052**	10,954
	199,513	183,320

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

	2011	2010
Administration	**4**	4
Maintenance	**4**	3
Security	**1**	1
	9	8

15. Finance income

	2011 €	2010 €
Interest income on trade receivables	**17,043**	16,277

16. Finance costs

	2011 €	2010 €
Interest on bank loans and overdraft	**184,033**	91,162

17. Tax expense

	2011 €	2010 €
Current tax expense	**466,639**	460,085
Deferred tax expense (Note 11)	**11,039**	17,030
	477,678	477,115

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

	2011 €	2010 €
Profit before tax	**1,313,139**	1,309,815
Tax on profit at 35%	**459,599**	458,435
Tax effect of:		
- non deductible depreciation	**22,498**	18,688
- other differences	**(4,419)**	(8)
Tax charge in the accounts	**477,678**	477,115

18. Directors' emoluments

	2011	2010
	€	€
Directors' fees	**29,252**	28,400

The Company has paid insurance premiums of €2,832 (2010: €3,086) during the year in respect of professional indemnity in favour of its directors and senior officers.

19. 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.

	2011	2010
Net profit attributable to shareholders (€)	**835,461**	832,700
Weighted average number of ordinary shares in issue	**9,414,000**	9,414,000
Earnings per share (cents)	**8c87**	8c85

20. Dividend

At the forthcoming Annual General Meeting a final net dividend in respect of 2011 of €0.754 per share, amounting to a total net dividend of €710,142 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 2012. The net dividends declared in respect of 2010 and 2009 were €707,795 (€0.752 per share) and €790,776 (€0.840 per share) respectively.

21. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2011	2010
	€	€
Operating profit	**1,480,129**	1,384,700
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**360,502**	333,925
Deferred premium income	**(98,504)**	(141,310)
Premium payments received	**12,621**	41,733
Movement in provision for impairment of trade receivables (Note 5)	**(20,593)**	33,618
Amounts written off in respect of trade receivables	**33,618**	-
Changes in working capital:		
Trade and other receivables	**10,637**	(118,439)
Trade and other payables	**302,773**	(244,379)
Cash generated from operations	**2,081,183**	1,289,848

22. Capital commitments

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

	2011	2010
	€	€
Authorised but not contracted	**200,000**	112,045

23. Operating lease commitments

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.

	2011	2010
	€	€
Not later than 1 year	**1,882,350**	2,038,657
Later than 1 year and not later than 5 years	**2,814,904**	2,307,965
	4,697,254	4,346,622

24. Related party transactions

Related party transactions are traded on a commercial basis with entities that are related by way of common directors who are able to exercise control or significant influence over the Company's operations. No transactions with such related parties were carried out during the year.

Key management personnel compensation, consisting of director's remuneration is disclosed in Note 18 to these financial statements.

25. Statutory information

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

26. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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