THE PLAZA

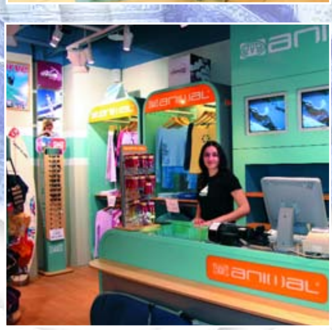
Annual Report & Financial Statements

2004

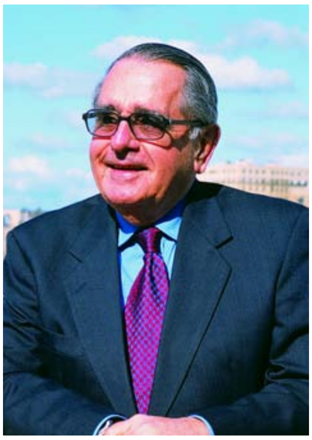
Contents

Mission Statement

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



Chairman's Statement



Albert Mizzi – Chairman

For the fifth consecutive year since the company went public, I am pleased to report on our company's positive results for the financial year ending 31 December 2004. In line with the expectations of our directors, the performance of Plaza Centres plc has shown satisfactory growth in terms of occupancy and profitability whilst also improving on its cost to income ratio.

Turnover for the year was Lm617,936 (Lm580,765 for 2003), whereas profit on ordinary activities before tax amounted to Lm418,699 (Lm349,663 for 2003) an increase of Lm69,036 or 19.74%. The company's cost to income ratio decreased from 43.22% in 2003 to 35.65% in 2004. Profit for the year after tax amounted to Lm264,964 (Lm220,093 in 2003), an increase of Lm44,871 or 20.38%.

The Board of Directors is proposing the payment of a final net dividend of Lm250,412, or 2c66 per share net of tax, an increase of 13.46% (2003: Lm220,704) for approval at the Annual General Meeting on the 26 April 2005. The final dividend will be paid on the 29 April 2005 to all shareholders at close of business on the 24 March 2005.

On behalf of our directors, management, tenants, shareholders and staff I would like to take this opportunity to share the grief for the sad loss of our dear colleague Mr. Julian P. Zammit. Julian's involvement in Plaza over all the years provided him with great satisfaction and pride. He dedicated the best part of his life, at great personal sacrifice, towards ensuring that Plaza achieves the status that it enjoys today. Julian will be sadly missed by all of us.

I would like to conclude by extending my appreciation towards our Board of directors, management, shareholders, tenants and staff for their valued contribution towards the company's continued success.

Albert Mizzi – Chairman
7 March 2005

Share Register Information

Share register information pursuant to the Malta Financial Services Authority Listing Rules

Directors' interests in the share capital of the Company (shares held)

	Beneficial interests at 31.12.04	Beneficial interests at 15.03.05
Albert Mizzi	754,280	754,280
Brian Mizzi	755,095	755,095
Adrian Strickland	568,825	486,462
Mark Gasan	377,750	377,750

Shareholders holding 5% or more of the equity share capital

	% holding at 31.12.04	% holding at 15.03.05
Middle Sea Valletta Life Assurance Co Ltd	30.21	30.21
Mizzi Associated Enterprises Ltd	8.02	8.02
Cenmed Ltd	8.01	8.01
Strickland Ltd	6.04	5.17
HSBC Bank Malta p.l.c. As Custodian For Ammt Sicavs Malta	5.67	5.67

Shareholding details

As at 31 December 2004, Plaza Centres p.l.c.'s issued share capital was held by 414 shareholders, and as at 15 March 2005 by 422 shareholders. The issued share capital consists of one class of ordinary shares with equal voting rights.

Distribution of shareholders analysed by range:

Range of shareholding	No of shareholders at 31.12.04	No of shareholders at 15.03.05	Shares at 31.12.04	Shares at 15.03.05
1 - 500 shares	61	60	27,359	27,334
501 - 1000 shares	100	102	84,230	85,830
1001 - 5000 shares	147	150	341,097	346,010
5001 & over	106	110	8,961,314	8,954,826

Company Secretary and Registered Office

Lionel A. Lapira AMD
The Plaza Commercial Centre
Level 8
Bisazza Street
Sliema SLM 15
Malta
Tel: (00356) 21 343832 - Fax: (00356) 21 343830
E-mail: info@plazamalta.com

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) Ltd., 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 (19 years), Middle Sea Insurance, Sea Malta and Malta Shipbuilding. He has also served as Chairman of the Malta Council for Economic Development.

The late Julian P. Zammit AMD

Managing Director & Chief Executive Officer

Mr. Zammit had joined the company in 1986 and was involved in the planning and construction of the project and had been responsible for the operations since then. He was a member of the ICSC (International Council of Shopping Centres - New York) since 1993 during which time he had attended several workshops and seminars related to the shopping centre industry. In 1998 he was awarded the AMD (Accredited Marketing Director) and was appointed to the international faculty of ICSC in June 2002. Mr. Zammit lectured at the European Retail Property School in Lausanne and Moscow and was a member of the British Council of Shopping Centres. He had recently completed a management diploma at Henley Management College and finalised his thesis for an MBA in Management Consulting at the Grenoble School of Management.

Anne Marie Tabone

A Certified Public Accountant by profession, Ms. Anne Marie Tabone, is General Manager of International Insurance Management Services Ltd. (IIMS), a wholly-owned subsidiary of Middlesea Group.

Brian R. Mizzi

Within Mizzi Organisation Mr. Brian Mizzi holds the post of Managing Director of General Soft Drinks Co. Ltd., bottlers for Coca Cola products, Arkadia Marketing Ltd., The Waterfront Hotel and is also a director of various other companies in Mizzi Organisation, and including the Institute of English Language Studies.

Board of Directors - continued

Mark Gasan

Mr. Mark Gasan has been working for the Gasan Group for the past 2 years. He is Managing Director of Gasan Properties Limited.

Peter Borg

Mr. Borg is the Managing Director of the Bortex Group of Companies. He is also a Director on a number of other Boards including Roosendaal Hotels Ltd., Roosendaal Trading Ltd., Bortex Tunisie s.a.r.l. and Chansel UK Ltd.

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 Limited.

Management

Lionel A. Lapira AMD

General Manager

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, till January 2004, 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) status by the ICSC. In January 2000, the company appointed him General Manager with responsibilities for finance, operations, human resources, leasing, marketing and property management. With qualifications and experience in management, finance, marketing and diplomatic studies, Mr. Lapira submitted his MBA research paper to Henley Management College in December 2004. Prior to joining Plaza Centres p.l.c., he occupied senior management positions in the local hospitality, entertainment and leisure industry. On 3 December 2004, the company announced Mr. Lapira's appointment as Chief Executive Officer with effect from 1 January 2005.

Pursuant to Listing Rules 8.26 and 8.27 issued by the Malta Financial Services Authority, Plaza Centres p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the "Principles").

In deciding on the most appropriate manner in which to ensure adherence with the Principles, the Board of Directors of Plaza Centres p.l.c. (the "Board") has taken cognisance of the Company's size and the modest scale of its operations. The Company employs a staff complement of eight. This limitation of size inevitably impacts on the structures required to implement the Principles, without diluting the effectiveness thereof.

Roles and responsibilities

The Board acknowledges its statutory mandate to conduct the administration and management of Plaza Centres p.l.c. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the following:

(a) reviewing and approving the business plan and targets that are submitted by management and working with management in the implementation of the business plan;
(b) identifying the principal business risks for the Company and overseeing the implementation and monitoring of appropriate risk management systems;
(c) ensuring that effective internal control and management information systems for the Company are in place;
(d) assessing the performance of the Company's executive officers, including monitoring the establishment of appropriate systems for succession planning and for approving the compensation levels of such executive officers; and
(e) ensuring that the Company has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The Board delegates authority and accountability for the Company's day to day business to a management team, which in 2004 comprised the late managing director and chief executive officer, Mr. Julian P. Zammit, and the company secretary and general manager, Mr. Lionel Lapira.

In a company announcement dated 9 November 2004, the Company informed the public of Mr. Julian P. Zammit's resignation from his position as Chief Executive Officer and Managing Director. The role of Chief Executive Officer has been filled by Mr. Lionel Lapira with effect from 1 January 2005 (as announced on 3 December 2004).

Until 2003, the management team was supported by an Executive Committee, which was dissolved in 2004. The Executive Commitee was consulted on issues relating to tenants and proposed initiations, terminations and extensions of tenancy agreements. The role of the Executive Committee has been absorbed by the Board that meets on a monthly basis (previously quarterly), and all matters relating to administration, finance and strategy are directly referred to the Board.

Composition of the Board

Pursuant to the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders. A shareholder holding not less than 14% of voting rights of the issued share capital or a number of shareholders who between them hold not less than 14%, shall appoint one Director for every such 14% holding by a letter addressed to the Company; three members of the Board, including the chairman, were appointed in 2004 in terms of this rule. 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, leading in 2004 to the election of four directors.

The Board is composed of a mix of executive and non-executive directors. On 23 April 2004, Mr. Joe Gasan, Mr. Mario Grech and Chev. Maurice Mizzi resigned from their appointment as directors of the Board. On the same date Mr. Mark Gasan, Ms. Anne Marie Tabone and Mr. Brian Mizzi were appointed directors in their stead. Mr. Albert Mizzi, Chairman, Mr. Peter Borg, Mr. Mark Gasan, Mr. Brian Mizzi, Ms. Anne Marie Tabone and Mr. Adrian Strickland serve on the Board in a non-executive capacity.
Pursuant to the Company's Listing Agreement with the Listing Authority, prior to being appointed or elected directors, nominees undergo a screening process by the Authority.

As at the date of this statement, the interests of directors in the shares of the Company were as follows (shares held):

	Beneficial interests
Albert Mizzi	754,280
Mark Gasan	377,750
Brian Mizzi	755,095
Adrian Strickland	486,462

The late Mr. Julian P. Zammit disposed of 80,500 shares during the year and held a further 52,500 shares at the time of his demise. Mr. Adrian Strickland disposed of 150,883 shares. No other material transactions in the Company's shares, in which any director had a beneficial or non-beneficial interest, were effected during the year.

Contracts are entered into in the ordinary course of business with shareholders and other parties in which the directors have a beneficial interest. As at the financial year end, these contracts included:

(a) income from lettings and premium in respect of 2 premises representing 7% of the total square metres rented by Plaza Centres p.l.c. as at the financial year end. The total income generated by these contracts is disclosed in Note 24 to the financial statements.
(b) purchase of services and assets, including inter alia, advertising, insurance and capital expenditure. Further information is disclosed in Note 24 to the financial statements.

During 2004, the Board of Directors exercised the roles normally delegated to an Audit Committee and accordingly reviewed all new contracts entered into with related parties. The terms of such contracts are drawn up on an arm's length basis. As from 2005, related party transactions will also be subject to review procedures exercised separately by a newly constituted Audit Committee, which is reported upon later on in this statement.

With the exception of the late Mr. Julian P. Zammit, an employee, consultant and director of the Company, who was remunerated accordingly for his duties, each director receives an annual remuneration of Lm1,000. The remuneration of the late Mr. Julian P. Zammit is disclosed in Note 8 to the financial statements, and amounted to Lm15,259 during 2004. He also availed himself of a company car and other benefits.

The exercise of the role of the Board

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.

In connection with each Board meeting, the directors are served with a report by management. This report sets out the Company's management accounts circulated monthly to each Director; it includes a management commentary on the results and on relevant events and decisions; and it sets out background information on any matter requiring the approval of the Board.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

(a) annual plans and budgets;
(b) the remuneration of the chief executive officer is determined on an arm's length basis by reference to the responsibility entailed in the post and to the Board's assessment of the performance of the official;
(c) policies regulating relationships with tenants and prospective tenants, including the procedures to be followed from time to time to ensure the timely receipt of all amounts due to the Company;
(d) tenancies which may require a variation from planned terms;
(e) proposals for potential new investments, including any transactions which may entail the acquisition or disposal of property; and

(f) the approval of interim and annual financial statements and reports, and of relevant public announcements made by the Company; the Company's compliance with its continuing listing obligations; and the systems of internal control established by management.

In February 2005, the Board appointed two directors, Ms. Anne Marie Tabone, Mr. Brian Mizzi, and alternate director Mr. David De Marco (alternate director to Mr. Adrian Strickland) to form part of an Audit Committee. The terms of reference of the Committee, as approved by the Board of Directors, are modelled on the recommendations of the Principles. They include, inter alia, the responsibility of reviewing the financial reporting process, the system of internal control and management of financial risks, 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 of the Committee if they consider that it is necessary.

The Board does not consider it necessary to institute additional committees to deal, inter alia, with item (b) above, as would 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 external auditors.

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

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 circumstances, 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. There are a number of commercial relationships between the Company and other companies that are related by way of common directors, including the purchasing of supplies and services and the letting of outlets.

During the 2004 financial year, the Board held ten meetings (five in 2003).

Communications with Shareholders

Pursuant to the Company's statutory obligations in terms of the Companies Act and the Malta Financial Services Authority Listing Rules, the Annual Report and Financial Statements, the declaration of a dividend, the election of directors, the appointment of the auditors and the authorisation of the directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting. An overview of the Company's performance is given in the Chairman's Statement which prefaces the Annual Report.

The Company communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, and through periodical Company announcements to the market in general. Periodical information meetings for investors and financial intermediaries are also held when the Board deems appropriate to ensure an informed market on the Company's shares.

Going concern

The directors are satisfied that, having taken into account the strength of the Company's balance sheet and the level of profitability, it is reasonable to assume that the Company has adequate resources to continue operating for the forseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 7 March 2005 and signed on its behalf by:

Albert Mizzi
Chairman

Anne Marie Tabone
Director

Report of the Auditors on Corporate Governance

To the members of Plaza Centres p.l.c. pursuant to Listing Rule 8.28 issued by the Listing Authority

Listing Rules 8.26 and 8.27 issued by the Listing Authority require the Company's directors to include in their Annual Report a Statement of Compliance to 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 with those Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 8.28 which requires us to include a report on the Statement of Compliance.

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 these financial statements. 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 7 to 9 has been properly prepared in accordance with the requirements of Listing Rules 8.26 and 8.27 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

7 March 2005

The directors present their report and the audited financial statements for the year ended 31 December 2004.

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

Turnover for the year was Lm617,936 (Lm580,765 for 2003), whereas profit on ordinary activities before tax amounted to Lm418,699 (Lm349,663 for 2003) an increase of Lm69,036 or 19.74%. The Company's cost to income ratio decreased from 43.22% in 2003 to 35.65% in 2004. Profit for the year after tax amounted to Lm264,964 (Lm220,093 in 2003), an increase of Lm44,871 or 20.38%.

During the period being reported occupancy levels reached 98%. Similar occupancy levels are anticipated for 2005.

Results and dividends

The profit and loss account is set out on page 15. The directors recommend the payment of a final dividend of Lm250,412 (2003: Lm220,704).

Directors

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

Albert Mizzi – Chairman
Peter Borg
Adrian Strickland
Mark Gasan – appointed on 23 April 2004
Brian Mizzi – appointed on 23 April 2004
Anne Marie Tabone – appointed on 23 April 2004
Joseph A. Gasan – resigned on 23 April 2004
Mario C. Grech – resigned on 23 April 2004
Chev. Maurice F. Mizzi – resigned on 23 April 2004
Julian P. Zammit – deceased on 3 March 2005

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 provides for a Board of Directors of not less than five and not more than seven members.

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	Anne Marie Tabone
Chairman	Director

Registered office:
The Plaza Commercial Centre
Bisazza Street
Sliema SLM15
Malta

7 March 2005

Statement of Directors' Responsibilities

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 financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements 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.

Report of the Auditors on the Financial Statements

To the Members of Plaza Centres p.l.c.

We have audited the financial statements on pages 15 to 31. As described in the statement of directors' responsibilities on page 13, these financial statements are the responsibility of the Company's directors. Our responsibilty is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its profit, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

7 March 2005

Profit & Loss Account

	Notes	2004 Lm	2003 Lm
Turnover	2	**617,936**	580,765
Marketing costs		**(18,485)**	(18,624)
Maintenance costs		**(2,370)**	(10,775)
Administrative expenses		**(79,700)**	(89,040)
Profit on disposal of property	3	**-**	26,330
Operating profit before depreciation		**517,381**	488,656
Depreciation		**(119,743)**	(132,612)
Operating profit	4	**397,638**	356,044
Interest receivable	6	**41,196**	17,882
Interest payable	6	**(20,135)**	(24,263)
Profit on ordinary activities before tax		**418,699**	349,663
Tax on profit on ordinary activities	7	**(153,735)**	(129,570)
Profit for the financial year		**264,964**	220,093
Earnings per share (cents)	9	**2c81**	2c34

Balance Sheet

	Notes	2004 Lm	2003 Lm
ASSETS			
Fixed assets			
Tangible assets – property, plant and equipment	11	**9,044,398**	8,989,843
Current assets			
Debtors	12	**723,150**	857,145
Cash at bank and in hand	20	**19,799**	19,626
		742,949	876,771
Total assets		**9,787,347**	9,866,614
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	16	**1,882,800**	1,882,800
Share premium account	17	**1,328,627**	1,328,627
Revaluation reserve	18	**3,147,004**	3,132,054
Profit and loss account		**750,531**	702,559
Total shareholders' funds		**7,108,962**	7,046,040
Provisions for liabilities and charges			
Deferred taxation	15	**1,559,825**	1,581,908
Creditors: amounts falling due after more than one year			
Borrowings	13	**259,500**	20,254
Trade and other creditors	14	**509,951**	562,728
		769,451	582,982
Creditors: amounts falling due within one year			
Borrowings	13	**133,080**	398,360
Trade and other creditors	14	**186,805**	170,003
Current taxation		**29,224**	87,321
		349,109	655,684
Total creditors		**1,118,560**	1,238,666
Total equity and liabilities		**9,787,347**	9,866,614

The financial statements on pages 15 to 31 were authorised for issue by the Board on 7 March 2005 and were signed on its behalf by:

Albert Mizzi
Chairman

Anne Marie Tabone
Director

Statement of Changes in Equity

	Notes	Share capital Lm	Share premium account Lm	Revaluation reserve Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2003		1,882,800	1,328,627	4,207,793	415,352	7,834,572
Transfer of depreciation through asset use, net of deferred taxation	18	-	-	(3,646)	3,646	-
Transfer of profit on disposal of property, net of deferred taxation		-	-	(302,706)	302,706	-
Movement in deferred tax on revaluation surplus	15	-	-	(769,387)	-	(769,387)
Net (losses)/gains not recognised in profit and loss account		-	-	(1,075,739)	306,352	(769,387)
Dividend relating to 2002	10	-	-	-	(239,238)	(239,238)
Profit for the financial year		-	-	-	220,093	220,093
Balance at 31 December 2003		**1,882,800**	**1,328,627**	**3,132,054**	**702,559**	**7,046,040**
Balance at 1 January 2004		1,882,800	1,328,627	3,132,054	702,559	7,046,040
Transfer of depreciation through asset use, net of deferred taxation	18	-	-	(3,712)	3,712	-
Movement in deferred tax on revaluation surplus	15	-	-	18,662	-	18,662
Net gains not recognised in profit and loss account		-	-	14,950	3,712	18,662
Dividend relating to 2003	10	-	-	-	(220,704)	(220,704)
Profit for the financial year		-	-	-	264,964	264,964
Balance at 31 December 2004		**1,882,800**	**1,328,627**	**3,147,004**	**750,531**	**7,108,962**

Cash Flow Statement

	Notes	2004 Lm	2003 Lm
Operating activities			
Cash generated from operations	19	**551,174**	517,648
Interest received	6	**41,196**	17,882
Interest paid	6	**(20,135)**	(24,263)
Tax paid		**(215,253)**	(162,559)
Net cash generated from operating activities		**356,982**	348,708
Investing activities			
Purchase of tangible assets		**(167,560)**	(58,244)
Net cash used in investing activities		**(167,560)**	(58,244)
Financing activities			
Amounts received in connection with property sale	12	**57,489**	-
Increase in long term borrowings	13	**259,500**	-
Repayments of short term borrowings	13	**(40,506)**	(40,506)
Dividends paid	10	**(220,704)**	(239,238)
Net cash generated from/(used in) financing activities		**55,779**	(279,744)
Movement in cash and cash equivalents		**245,201**	10,720
Cash and cash equivalents at beginning of year		**(338,228)**	(348,948)
Cash and cash equivalents at end of year	20	**(93,027)**	(338,228)

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards and with the Companies Act, 1995. The financial statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings owned by the Company.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2. Revenue recognition

Rents receivable and premia charged to clients are included in the financial statements as turnover. Premia are taken to the profit and loss account over the period of the leases to which they relate. Interest income is accounted for as it accrues, unless collectibility is in doubt.

3. Tangible fixed assets – property, plant and equipment

Tangible fixed assets, comprising land and buildings, electrical installations, plant, machinery and equipment, and furniture and fittings are initially recorded at cost. Property is subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation. 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 balance sheet date. All other tangible fixed assets are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) 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.

Gains and losses on disposal of tangible fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Depreciation is calculated on the straight line method to write off the cost, or revalued amount of each asset, other than land, to their residual values over their estimated useful life as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

4. Trade debtors

Trade debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdraft. In the balance sheet, the bank overdraft is included in borrowings in current liabilities.

6. Deferred taxation

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principle temporary differences arise from depreciation on property, plant and equipment, deferred premium income and the revaluation of certain fixed assets.

Deferred tax on revaluations is charged or credited directly to the revaluation reserve. Deferred income 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 the profit and loss account.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

7. Share capital

External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

8. Borrowing costs

Borrowing costs are capitalised within tangible fixed assets in so far as they relate to the specific external financing of assets under development. Such borrowing costs are capitalised up to the time that the assets are brought into use. Other borrowing costs are recognised as an expense in the year to which they relate.

1. Format of the profit and loss account

The layout, nomenclature and terminology of the items in the profit and loss account have been adapted due to the special nature of the Company in terms of Section 3(3) of the Third Schedule of the Companies Act, 1995.

2. Turnover

All of the Company's turnover arises in Malta and relates to rental income and premia charged to tenants.

3. Profit on disposal of property

	2004	2003
	Lm	Lm
Disposal proceeds	**-**	530,000
Deferred premium released to profit and loss account	**-**	43,131
Carrying value of property sold	**-**	(546,801)
Profit on disposal	**-**	26,330

4. Operating profit

Operating profit is stated after charging/(crediting):

	2004	2003
	Lm	Lm
Staff costs (Note 5)	**76,212**	73,517
Auditors' remuneration	**1,500**	1,500
Profit on disposal of fixed assets	**-**	(26,330)
Depreciation (Note 11)	**119,743**	132,612

5. Staff costs

	2004	2003
	Lm	Lm
Wages and salaries	**71,678**	69,002
Social security costs	**4,534**	4,515
	76,212	73,517

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

	2004	2003
Administration	**4**	4
Maintenance	**3**	3
Security	**1**	1
	8	8

6. Interest

	2004 Lm	2003 Lm
Interest receivable		
Trade debtors	**11,405**	17,882
Amounts receivable on sale of property	**29,791**	-
	41,196	17,882
Interest payable		
Bank loans and overdraft	**20,135**	24,263

7. Tax on profit on ordinary activities

	2004 Lm	2003 Lm
Current tax expense	**157,156**	243,667
Deferred tax credit (Note 15)	**(3,421)**	(114,097)
	153,735	129,570

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

	2004 Lm	2003 Lm
Profit on ordinary activities before tax	**418,699**	349,663
Tax on ordinary profit at 35%	**146,545**	122,382
Tax effect of:		
non deductible depreciation	**7,190**	7,188
Tax charge	**153,735**	129,570

8. Directors' emoluments

	2004 Lm	2003 Lm
Directors' fees	**6,000**	5,986
Salaries and other emoluments	**15,259**	17,720
	21,259	23,706

The executive director also avails himself of a company car and other benefits.

The Company has paid insurance premiums of Lm979 (2003: Lm955) during the year in respect of professional indemnity in favour of its directors and senior officers.

9. 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.

	2004	2003
Net profit attributable to shareholders	**Lm264,964**	Lm220,093
Weighted average number of ordinary shares in issue	**9,414,000**	9,414,000
Earnings per share (cents)	**2c81**	2c34

10. Dividend

At the forthcoming Annual General Meeting a dividend in respect of 2004 of 2c66 per share, amounting to a total dividend of Lm250,412 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 2005. The dividends declared in respect of 2003 and 2002 were Lm220,704 (2c34 per share) and Lm239,238 (2c54 per share) respectively.

11. Tangible assets – property, plant and equipment

	Land and buildings Lm	Electrical installations Lm	Plant machinery and equipment Lm	Furniture and fittings Lm	Total Lm
Year ended 31 December 2004					
Opening net book amount	7,884,579	203,442	560,948	340,874	8,989,843
Additions	99,931	1,613	64,745	8,009	174,298
Depreciation charge	(23,589)	(12,870)	(62,590)	(20,694)	(119,743)
Closing net book amount	7,960,921	192,185	563,103	328,189	9,044,398
At 31 December 2004					
Cost or valuation	8,078,457	321,747	1,267,554	550,176	10,217,934
Accumulated depreciation	(117,536)	(129,562)	(704,451)	(221,987)	(1,173,536)
Net book amount	7,960,921	192,185	563,103	328,189	9,044,398
At 31 December 2003					
Cost or valuation	7,978,526	320,134	1,202,809	542,167	10,043,636
Accumulated depreciation	(93,947)	(116,692)	(641,861)	(201,293)	(1,053,793)
Net book amount	7,884,579	203,442	560,948	340,874	8,989,843

Full depreciated assets which were still in use at 31 December 2004 amounted to Lm201,732 (2003: Lm182,192).

The Company's land and buildings were last revalued on 31 December 1999 by independent professional architects on the basis of an open market valuation. The surplus arising on revaluation at the time, net of deferred taxation, was credited to the revaluation reserve (Note 18).

During 2003, the directors carried out a re-assessment of the value of the Company's property considering current projections of future income streams, and the amount at which a recent disposal was effected. The conclusion of this exercise confirmed the directors' judgement that the carrying amount of property, as reflected in the Company's balance sheet, does not differ materially from its fair value at the financial year end.

11. Tangible assets – property, plant and equipment - continued

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.

	2004 Lm	2003 Lm
Cost	**2,951,451**	2,851,520
Accumulated depreciation	**(90,633)**	(72,755)
Net book amount	**2,860,818**	2,778,765

12. Debtors

	2004 Lm	2003 Lm
Trade debtors on premia	**126,029**	169,084
Trade debtors on rental and other income	**114,146**	152,051
Trade debtors (gross)	**240,175**	321,135
Less: provision for bad and doubtful debts	**(30,000)**	(30,000)
Trade debtors (net)	**210,175**	291,135
Amount receivable on sale of property (Note 3)	**472,511**	530,000
Advance payment on fixed assets	**30,000**	30,000
Prepayments and accrued income	**10,464**	6,010
	723,150	857,145

Amounts included above which are due after more than one year:		
Trade debtors on premia	**75,964**	97,519
Amount receivable on sale of property	**428,150**	462,229
	504,114	559,748

Trade debtors include an amount of Lm58,956 (2003: Lm36,865) that is owed by related undertakings (Note 24).

Interest on premium debtors is charged at a rate of 6.5% (2003: 6.5%). The amount receivable on sale of property includes Lm472,511 (2003: Lm500,000) that bears interest at 6.25%, and is secured by a special privilege over the property disposed of.

12. Debtors - continued

The repayment terms of the above long term receivables are further analysed as follows:

	2004	2003
	Lm	Lm
Between 1 and 2 years	**82,973**	90,184
Between 2 and 5 years	**176,129**	178,684
Later than 5 years	**245,012**	290,880
	504,114	559,748

13. Borrowings

	2004	2003
	Lm	Lm
Short term - falling due within one year		
Bank overdraft (Note 20)	**112,826**	357,854
Bank loans	**20,254**	40,506
Short term borrowings	**133,080**	398,360
Long term		
Bank loans	**259,500**	20,254
Total borrowings	**392,580**	418,614

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 Company's banking facilities as at 31 December 2004 and 2003 amounted to Lm779,754 and Lm560,760 respectively.

13. Borrowings - continued

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

	2004 Lm	2003 Lm
Total borrowings:		
At floating rates	**392,580**	418,614

Weighted average effective interest rates:

	2004 %	2003 %
Bank overdraft	**5.3**	5.6
Bank loans	**5.3**	5.6

Maturity of long term borrowings:

	2004 Lm	2003 Lm
Between 1 and 2 years	**16,219**	20,254
Between 2 and 5 years	**97,313**	-
Later than 5 years	**145,968**	-
	259,500	20,254

14. Trade and other creditors

	2004 Lm	2003 Lm
Amounts falling due within one year		
Trade creditors	**72,375**	66,051
Capital creditors	**8,117**	1,379
Other taxes and social security	**20,885**	15,184
Other creditors	**12,405**	9,553
Accruals and deferred income	**73,023**	77,836
	186,805	170,003
Amounts falling due after more than one year		
Deferred income	**509,951**	562,728

Trade and capital creditors include an amount of Lm21,921 (2003: Lm10,173) that is owed to related undertakings (Note 24).

15. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2003: 35%). The movement on the deferred income tax account is as follows:

	2004 Lm	2003 Lm
At beginning of year	(1,581,908)	(926,618)
Credited to profit and loss account (Note 7)	3,421	114,097
Movement in deferred tax on revaluation surplus (see below)	18,662	(769,387)
At end of year	(1,559,825)	(1,581,908)

The movement in deferred tax on the revaluation surplus in 2003 was affected by measures introduced by the Government Budget relevant to the taxation of capital gains on land and buildings.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The deferred income tax account is further analysed as follows:

	2004 Lm	2003 Lm
Temporary differences attributable to deferred premium income	154,274	155,310
Temporary differences on provisions	10,500	10,500
Temporary differences arising on fixed assets	(211,950)	(214,408)
Temporary differences on asset revaluation (Note 18)	(1,512,649)	(1,533,310)
	(1,559,825)	(1,581,908)

The directors expect to recover or settle a substantial portion of the above assets/liabilities after 12 months.

16. Share capital

	2004 Lm	2003 Lm
Authorised 25,000,000 ordinary shares of Lm0.20 each	5,000,000	5,000,000
Issued and fully paid 9,414,000 ordinary shares of Lm0.20 each	1,882,800	1,882,800

17. Share premium account

	2004 Lm	2003 Lm
At beginning and end of year	**1,328,627**	1,328,627

The share premium arose on the issue of 2,050,000 ordinary shares of a nominal value of Lm0.20 each at a premium of Lm0.68 per share.

18. Revaluation reserve

	2004 Lm	2003 Lm
At beginning of year, before deferred taxation	**4,665,364**	5,070,336
Transfer to retained profits through asset use	**(5,711)**	(5,610)
Transfer to retained profits on asset disposal	**-**	(399,362)
	4,659,653	4,665,364
Deferred taxation (Note 15)	**(1,512,649)**	(1,533,310)
	3,147,004	3,132,054

The revaluation reserve is not distributable by way of dividend.

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2004 Lm	2003 Lm
Operating profit	**397,638**	356,044
Adjustments for:		
Depreciation (Note 11)	**119,743**	132,612
Profit on disposal of tangible assets	**-**	(26,330)
Deferred premium income	**(40,415)**	(38,765)
Changes in working capital:		
Trade and other debtors	**76,506**	56,477
Trade and other creditors	**(2,298)**	37,610
Cash generated from operations	**551,174**	517,648

19. Cash generated from operations - continued

Non cash transactions

The principal non cash transaction during 2003 related to the sale of property for Lm530,000 repayable over a period of ten years (Note 12).

20. Cash and cash equivalents

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

	2004	2003
	Lm	Lm
Cash at bank and in hand	**19,799**	19,626
Bank overdraft	**(112,826)**	(357,854)
	(93,027)	(338,228)

21. Financial instruments

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Notes 12 and 13 incorporate interest rate and maturity information with respect to the Company's assets and liabilities. Up to the balance sheet date the Company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors.

Credit risk

Financial assets that potentially subject the Company to concentrations of credit risk consist principally of cash at bank and debtors. The Company's cash is placed with quality financial institutions. Debtors are presented net of an allowance for doubtful debts. Credit risk with respect to trade debtors is limited due to the number of customers comprising the Company's debtor base. Further, trade debtors on premia are generally matched by a corresponding liability in deferred income (Note 14), which will be released to the income statement in the event of default by a customer in respect of the premium due. The Company is exposed to concentration of credit risk in relation to the amount due on the sale of property, which is protected through a special privilege on the said property (Note 12).

Fair values

At 31 December 2004 and 2003 the carrying amounts of the Company's financial assets and liabilities approximated their fair values.

22. Capital commitments

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

	2004	2003
	Lm	Lm
Authorised and contracted	**230,000**	306,000
Authorised but not contracted	**567,000**	250,000
	797,000	556,000

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.

	2004	2003
	Lm	Lm
Not later than 1 year	**527,192**	425,910
Later than 1 year and not later than 5 years	**590,825**	585,668
	1,118,017	1,011,578

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 significant influence over the Company's operations. Related party transactions traded during the year were income from lettings and premia of Lm27,508 (2003: Lm44,095) and purchases of supplies and services, before recoveries from tenants, of Lm79,766 (2003: Lm62,880). Amounts due from or to related undertakings are disclosed in Notes 12 and 14.

25. Statutory information

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

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