Annual Report & Financial Statements 2005

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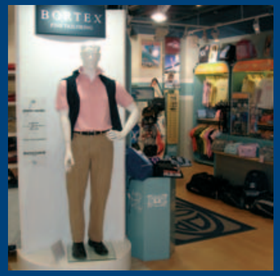
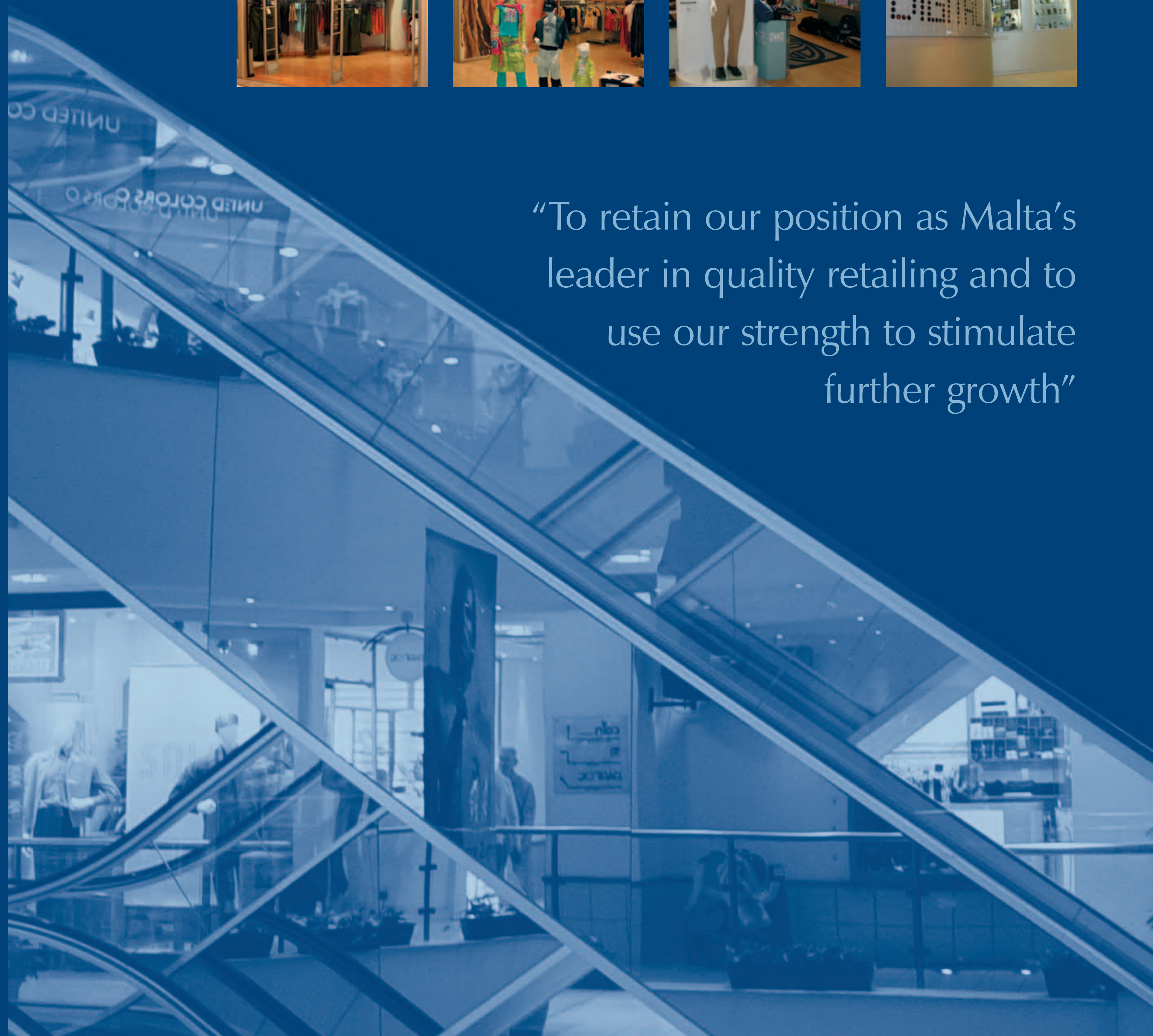
Mission Statement





"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

Once again it gives me great pleasure to report on our Company's positive results for the financial year ending 31 December 2005. The results are materially in line with our expectations, bearing in mind external factors which had an impact on our growth plans, both locally and overseas. Over the years, Plaza Centres p.l.c. has maintained a consistent level of performance both in terms of occupancy and profitability, whilst sustaining its cost to income ratio, notwithstanding the impact on tenants of the increase in electricity prices.

Turnover for the year was Lm637,554 (Lm617,936 in 2004), whereas profit before tax increased to Lm427,494 (Lm418,699 in 2004). The Company's cost to income ratio remained constant at 35.52% (35.65% in 2004). Profit for the year after tax amounted to Lm270,545 (Lm264,964 in 2004).

The Board of Directors is proposing the payment of a final net dividend of Lm255,119, or 2c71 per share net of tax (2004: Lm250,884) for approval at the forthcoming Annual General Meeting on the 25 April 2006. The final dividend will be paid on the 28 April 2006 to all shareholders at close of business on the 27 March 2006.

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
21 March 2006

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 31.12.05	**Beneficial interests** at 21.03.06
Brian R. Mizzi	755,095	755,095
Albert Mizzi	754,280	754,280
Adrian Strickland	470,148	433,481
Mark Gasan	363,729	363,729
Gerald Zammit	125,100	125,100

Shareholders holding 5% or more of the equity share capital

	% holding at 31.12.05	**% holding** at 21.03.06
Middle Sea Valletta Life Assurance Co Ltd	30.21	28.09
HSBC Bank Malta p.l.c. As Custodian	9.46	10.34
Mizzi Associated Enterprises Ltd	8.02	8.02
Cenmed Ltd	8.01	8.01
Strickland Ltd	4.99	4.60
HSBC Life Assurance (Malta) Ltd	4.65	6.03

Shareholding details

As at 31 December 2005, Plaza Centres p.l.c.'s issued share capital was held by 418 shareholders, and as at 21 March 2006 by 414 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 31.12.05	**No of shareholders** at 21.03.06	**Shares** at 31.12.05	**Shares** at 21.03.06
1 - 500 shares	59	60	26,360	25,361
501 - 1000 shares	101	101	85,816	85,446
1001 - 5000 shares	150	147	348,685	335,960
5001 & over	108	106	8,953,139	8,967,233

Company Secretary and Registered Office

Lionel A. Lapira MBA (Henley), AMD
The Plaza Commercial Centre
Level 8
Bisazza Street
Sliema SLM 15
Malta
Tel: (+356) 21 343832

Board of Directors

Albert Mizzi
Chairman

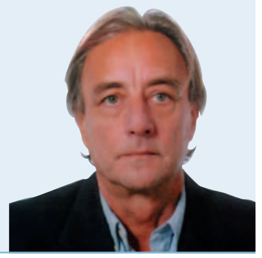
Mr. Mizzi was appointed Chairman of the company in 1986. He has had an active career within the business community in Malta having led a number of major private sector initiatives and is currently Chairman of various companies including HSBC Bank (Malta) Ltd., MIDI p.l.c., Consolidated Biscuit Co. Ltd., 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.

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.



Mark Gasan

Mr. Mark Gasan has been working for the Gasan Group for the past 3 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.

Gerald J. Zammit

A former member of the Plaza Executive Management committee and today is still actively involved in most aspects of the Company's operations. Mr. Zammit is an executive director of Communiqué Creative Limited and is involved in other business interests specialising in the fields of marketing, communications, PR and market research.

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, 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 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.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2005.

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 Lm637,554 (2004: Lm617,936), whereas profit before tax increased to Lm427,494 (2004: Lm418,699). The Company's cost to income ratio remained constant at 35.52% (2004: 35.65%). Profit for the year after tax amounted to Lm270,545 (2004: Lm264,964).

During the period being reported occupancy levels reached 97%. Similar occupancy levels are anticipated for 2006.

Results and dividends

The profit and loss account is set out on page 14. The directors recommend the payment of a final dividend of Lm255,119 (2004: Lm250,884).

Directors

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

Albert Mizzi – Chairman
Peter Borg
Adrian Strickland
Mark Gasan
Brian R. Mizzi
Anne Marie Tabone
Gerald J. Zammit – appointed on 26 April 2005
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
Chairman

Ann Marie Tabone
Director

Registered office:
The Plaza Commercial Centre
Bisazza Street
Sliema
Malta

21 March 2006

Corporate Governance
Statement of Compliance

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 to and accountability for the Company's day to day business to a team, which in 2005 was composed of the Chairman, Mr. Albert Mizzi, the Chief Executive Officer, Mr. Lionel Lapira (CEO with effect from 1 January 2005 as announced in December 2004) and Mr. Gerald Zammit (appointed director on 26 April 2005). Matters relating to administration, finance and strategy are discussed at Board level.

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 2005 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 2005 to the election of four directors.

The Board is composed of Mr. Albert Mizzi, Chairman, Mr. Peter Borg, Mr. Mark Gasan, Mr. Brian R. Mizzi, Mr. Adrian Strickland, Ms. Anne Marie Tabone and Mr. Gerald Zammit. All directors serve 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 the directors in the shares of the Company were as follows (shares held):

	Beneficial interests
Brian R. Mizzi	755,095
Albert Mizzi	754,280
Adrian Strickland	433,481
Mark Gasan	363,729
Gerald J. Zammit	125,100

Further, the late Mr. Julian P. Zammit held 52,500 shares at the time of his demise. Mr. Adrian Strickland sold 16,314 shares during the year. No other material transactions in the Company's shares, in which any director had a beneficial or non-beneficial interest, were effected.

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 representing 6.6% of the total square meters rented by Plaza Centres p.l.c. as at the financial year end. The total income is disclosed in Note 24 to these 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.

Terms and conditions of new contracts negotiated with related parties are reviewed by the Company's Audit Committee.

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, including a one-time gratuity paid to his estate.

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, which is determined on an arm's length basis by reference to the responsibility entailed in this 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 R. Mizzi and alternate director Mr. David De Marco (alternate director to Mr. Adrian Strickland) to set up an Audit Committee. The terms of reference, 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 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. During 2005, the Audit Committee held four meetings.

Corporate Governance
Statement of Compliance - continued

The Board does not consider it necessary to institute separate 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 2005 financial year, the Board held ten meetings (10 in 2004).

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 foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 21 March 2006 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 8 to 10 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

21 March 2006

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 as adopted by the EU;
- 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 14 to 31. As described in the statement of directors' responsibilities on page 12, these financial statements are the responsibility of the Company's directors. Our responsibility 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 2005 and of its profit, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

21 March 2006

Profit and Loss Account

Year ended 31 December

	Notes	2005 Lm	2004 Lm
Turnover	3	**637,554**	617,936
Marketing costs	4	**(18,384)**	(18,485)
Maintenance costs	4	**(5,476)**	(2,370)
Administrative expenses	4	**(83,435)**	(79,700)
Operating profit before depreciation		**530,259**	517,381
Depreciation	4	**(119,168)**	(119,743)
Operating profit		**411,091**	397,638
Interest receivable	6	**36,457**	41,196
Interest payable	6	**(20,054)**	(20,135)
Profit before tax		**427,494**	418,699
Tax expense	7	**(156,949)**	(153,735)
Profit for the financial year		**270,545**	264,964
Earnings per share (cents)	9	**2c87**	2c81

Balance Sheet

As at 31 December

	Notes	2005 Lm	2004 Lm
ASSETS			
Fixed assets			
Tangible assets – property, plant and equipment	11	**9,637,911**	9,044,398
Other non-current assets			
Debtors	12	**386,846**	504,114
Total non-current assets		**10,024,757**	9,548,512
Current assets			
Debtors	12	**155,662**	219,036
Current taxation receivable		**49,414**	–
Cash at bank and in hand	20	**15,359**	19,799
Total current assets		**220,435**	238,835
Total assets		**10,245,192**	9,787,347
EQUITY & 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	**4,094,985**	3,147,004
Profit and loss account		**773,849**	750,531
Total equity		**8,080,261**	7,108,962
Provisions for liabilities and charges			
Deferred taxation	15	**994,430**	1,559,825
Creditors - amounts falling due after more than one year			
Interest - bearing borrowings	13	**243,280**	259,500
Trade and other creditors	14	**443,410**	509,951
		686,690	769,451
Total non-current liabilities		**1,681,120**	2,329,276
Creditors - amounts falling due within one year			
Interest - bearing borrowings	13	**311,601**	133,080
Trade and other creditors	14	**172,210**	186,805
Current taxation		–	29,224
Total current liabilities		**483,811**	349,109
Total liabilities		**2,164,931**	2,678,385
Total equity and liabilities		**10,245,192**	9,787,347

The financial statements on pages 14 to 31 were authorised for issue by the Board on 21 March 2006 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 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		–	–	(3,712)	3,712	–
Movement in deferred tax on revaluation surplus	15	–	–	18,662	–	18,662
Net income recognised directly in equity		–	–	14,950	3,712	18,662
Profit for the financial year		–	–	–	264,964	264,964
Total recognised income for 2004		–	–	14,950	268,676	283,626
Dividends	10	–	–	–	(220,704)	(220,704)
Balance at 31 December 2004		**1,882,800**	**1,328,627**	**3,147,004**	**750,531**	**7,108,962**
Balance at 1 January 2005		1,882,800	1,328,627	3,147,004	750,531	7,108,962
Transfer of depreciation through asset use, net of deferred taxation		–	–	(3,657)	3,657	–
Revaluation surplus arising during the year (gross of tax)	18	–	–	392,000	–	392,000
Movement in deferred tax on revaluation surplus	15	–	–	559,638	–	559,638
Net income recognised directly in equity		–	–	947,981	3,657	951,638
Profit for the financial year		–	–	–	270,545	270,545
Total recognised income for 2005		–	–	947,981	274,202	1,222,183
Dividends	10	–	–	–	(250,884)	(250,884)
Balance at 31 December 2005		**1,882,800**	**1,328,627**	**4,094,985**	**773,849**	**8,080,261**

Cash Flow Statement

Year ended 31 December

	Notes	**2005 Lm**	2004 Lm
Operating activities			
Cash generated from operations	19	**589,735**	551,174
Interest received	6	**36,457**	41,196
Interest paid	6	**(20,054)**	(20,135)
Tax paid		**(241,344)**	(215,253)
Net cash generated from operating activities		**364,794**	356,982
Investing activities			
Purchase of tangible assets		**(325,013)**	(167,560)
Net cash used in investing activities		**(325,013)**	(167,560)
Financing activities			
Amounts received in connection with property sale	12	**44,362**	57,489
(Decrease)/increase in borrowings	13	**(20,254)**	218,994
Dividends paid	10	**(250,884)**	(220,704)
Net cash (used in)/generated from financing activities		**(226,776)**	55,779
Movement in cash and cash equivalents		**(186,995)**	245,201
Cash and cash equivalents at beginning of year		**(93,027)**	(338,228)
Cash and cash equivalents at end of year	20	**(280,022)**	(93,027)

Accounting Policies

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 (IFRSs) as adopted by the EU and with the requirements of 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 IFRSs 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 1 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2005

In 2005, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2005. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Company's accounting periods beginning on or after 1 January 2006 or later periods. The Company has not early adopted these revisions to the requirements of IFRSs and the Company's directors are of the opinion that there are no requirements that will have a possible impact on the Company's financial statements in the period of initial application.

2. Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services
Rents receivable and premia charged to clients are included in the financial statements as turnover. 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 the income statement on a straight line basis over the period of the lease.

(b) Interest income
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. Land and buildings are subsequently shown at market value, based on 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 balance sheet date. All other tangible fixed assets are stated at historical cost less depreciation.

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 the profit and loss account during the financial period in which they are incurred.

3. Tangible fixed assets – property, plant and equipment - continued

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.

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of tangible fixed assets are determined by comparing proceeds with the carrying amount and these are included in operating profit. On disposal of a revalued asset, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

4. Trade debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

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. Share capital and dividends

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

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.

7. **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. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

8. **Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 12 months after the balance sheet date.

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.

Notes to the Financial Statements

1. 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 (revised).

As referred in Note 11, the Company's land and buildings were revalued by the directors as at 31 December 2005. This valuation has been made on the basis of independent professional advice which has considered, inter alia, the projected future earnings from the Complex, in the main based on long term rental contracts, its ongoing maintenance needs, and other relevant market factors.

2. 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.

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

4. Expenses by nature

	2005 **Lm**	2004 Lm
Staff costs (Note 5)	**65,700**	76,212
Depreciation (Note 11)	**119,168**	119,743
Directors' emoluments (excluding salaries)	**16,666**	6,000
Other expenses	**24,929**	18,343
Total operating costs	**226,463**	220,298

Auditors' remuneration for the current financial year amounted to Lm1,650 (2004: Lm1,500).

5. Staff costs

	2005 **Lm**	2004 Lm
Wages and salaries	**61,530**	71,678
Social security costs	**4,170**	4,534
	65,700	76,212

5. Staff costs - continued

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

	2005	2004
Administration	**4**	4
Maintenance	**3**	3
Security	**1**	1
	8	8

6. Interest

	2005 Lm	2004 Lm
Interest receivable		
Trade debtors	**6,355**	11,405
Amounts receivable on sale of property	**30,102**	29,791
	36,457	41,196
Interest payable		
Bank loans and overdraft	**20,054**	20,135

7. Tax expense

	2005 Lm	2004 Lm
Current tax expense	**162,706**	157,156
Deferred tax credit (Note 15)	**(5,757)**	(3,421)
	156,949	153,735

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

	2005 Lm	2004 Lm
Profit before tax	**427,494**	418,699
Tax on profit at 35%	**149,623**	146,545
Tax effect of: non-deductible depreciation	**7,326**	7,190
Tax expense	**156,949**	153,735

8. Directors' emoluments

	2005 Lm	2004 Lm
Directors' fees	**6,666**	6,000
Salaries and other emoluments	**3,158**	15,259
Gratuity	**10,000**	–
	19,824	21,259

The late executive director also availed himself of a Company car and other benefits.

The Company has paid insurance premiums of Lm1,424 (2004: Lm1,424) 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.

	2005	2004
Net profit attributable to shareholders	**Lm270,545**	Lm264,964
Weighted average number of ordinary shares in issue	**9,414,000**	9,414,000
Earnings per share (cents)	**2c87**	2c81

10. Dividend

At the forthcoming Annual General Meeting a dividend in respect of 2005 of 2c71 per share, amounting to a total dividend of Lm255,119 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 2006. The dividends declared in respect of 2004 and 2003 were Lm250,884 (2c66 per share) and Lm220,704 (2c34 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
At 1 January 2004					
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
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
Year ended 31 December 2005					
Opening net book amount	7,960,921	192,185	563,103	328,189	9,044,398
Additions	293,606	2,649	16,250	8,176	320,681
Revaluation surplus arising during the year (Note 18)	392,000	–	–	–	392,000
Depreciation charge	(23,922)	(12,976)	(61,981)	(20,289)	(119,168)
Closing net book amount	8,622,605	181,858	517,372	316,076	9,637,911
At 31 December 2005					
Cost or valuation	8,622,605	324,396	1,283,804	558,352	10,789,157
Accumulated depreciation	–	(142,538)	(766,432)	(242,276)	(1,151,246)
Net book amount	8,622,605	181,858	517,372	316,076	9,637,911

Fully depreciated assets which were still in use at 31 December 2005 amounted to Lm216,166 (2004: Lm201,732).

The Company's land and buildings were last revalued on 31 December 2005 on the basis of an open market valuation by an independent professionally qualified valuer. The surplus arising on revaluation, net of deferred taxation, was credited to the revaluation reserve (Note 18).

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.

	2005 Lm	2004 Lm
Cost	**3,245,057**	2,951,451
Accumulated depreciation	**(108,929)**	(90,633)
Net book amount	**3,136,128**	2,860,818

12. Debtors

	2005 Lm	2004 Lm
Trade debtors on premia	**25,963**	126,029
Trade debtors on rental and other income	**80,156**	114,146
Trade debtors (gross)	**106,119**	240,175
Less: provision for impairment of debtors	**(30,000)**	(30,000)
Trade debtors (net)	**76,119**	210,175
Amount receivable on sale of property	**428,149**	472,511
Other debtors	**30,000**	30,000
Prepayments and accrued income	**8,240**	10,464
	542,508	723,150
Amounts included above which are due after more than one year:		
Trade debtors on premia	**–**	75,964
Amount receivable on sale of property	**386,846**	428,150
	386,846	504,114

Trade debtors include an amount of Lm187 (2004: Lm58,956) that is owed by related undertakings (Note 24).

Interest on premium debtors is charged at a rate of 6.5% (2004: 6.5%). The amount receivable on sale of property 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:

	2005 Lm	2004 Lm
Between 1 and 2 years	**44,157**	82,973
Between 2 and 5 years	**151,635**	176,129
Later than 5 years	**191,054**	245,012
	386,846	504,114

13. Interest-bearing borrowings

	2005 Lm	2004 Lm
Short term - falling due within one year		
Bank overdraft (Note 20)	**295,381**	112,826
Bank loans	**16,220**	20,254
Short term borrowings	**311,601**	133,080
Long term		
Bank loans	**243,280**	259,500
Total borrowings	**554,881**	392,580

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 2005 and 2004 amounted to Lm1,045,500 and Lm1,065,754 respectively.

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

	2005 Lm	2004 Lm
Total borrowings:		
At floating rates	**554,881**	392,580

Effective interest rates at the balance sheet date:

	2005 %	2004 %
Bank overdraft	**5.5**	5.3
Bank loans	**5.5**	5.3

13. Interest-bearing borrowings - continued

Maturity of long term borrowings:

	2005 Lm	2004 Lm
Between 1 and 2 years	**32,440**	16,219
Between 2 and 5 years	**97,320**	97,313
Later than 5 years	**113,520**	145,968
	243,280	259,500

14. Trade and other creditors

	2005 Lm	2004 Lm
Amounts falling due within one year		
Trade creditors	**17,757**	72,375
Capital creditors	**3,785**	8,117
Other taxes and social security	**23,510**	20,885
Other creditors	**10,485**	12,405
Accruals and deferred income	**116,673**	73,023
	172,210	186,805
Amounts falling due after more than one year		
Deferred income	**443,410**	509,951

Trade and capital creditors include an amount of Lm10,223 (2004: Lm21,921) 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% (2004: 35%). The movement on the deferred income tax account is as follows:

	2005 Lm	2004 Lm
At beginning of year	**(1,559,825)**	(1,581,908)
Credited to profit and loss account (Note 7)	**5,757**	3,421
Movement in deferred tax on revaluation surplus	**559,638**	18,662
At end of year	**(994,430)**	(1,559,825)

15. Deferred taxation - continued

The movement in deferred tax on the revaluation surplus was affected by changes in the income tax rules relevant to property transfers.

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:

	2005 Lm	2004 Lm
Temporary differences attributable to deferred premium income	**156,250**	154,274
Temporary differences on provisions	**10,500**	10,500
Temporary differences arising on fixed assets	**(210,138)**	(211,950)
Temporary differences on asset revaluation (Note 18)	**(951,042)**	(1,512,649)
	(994,430)	(1,559,825)

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

16. Share capital

	2005 Lm	2004 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

	2005 Lm	2004 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 with a nominal value of Lm0.20 each at a premium of Lm0.68 per share.

18. Revaluation reserve

	2005 Lm	2004 Lm
At beginning of year, before deferred taxation	**4,659,653**	4,665,364
Revaluation surplus arising during the year (Note 11)	**392,000**	–
Transfer to retained profits through asset use	**(5,626)**	(5,711)
At 31 December, before deferred taxation	**5,046,027**	4,659,653
Deferred taxation (Note 15)	**(951,042)**	(1,512,649)
At 31 December	**4,094,985**	3,147,004

The revaluation reserve is not distributable by way of dividend.

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2005 Lm	2004 Lm
Operating profit	**411,091**	397,638
Adjustments for:		
Depreciation (Note 11)	**119,168**	119,743
Deferred premium income	**(69,020)**	(40,415)
Changes in working capital:		
Trade and other debtors	**136,280**	76,506
Trade and other creditors	**(7,784)**	(2,298)
Cash generated from operations	**589,735**	551,174

20. Cash and cash equivalents

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

	2005 Lm	2004 Lm
Cash at bank and in hand	**15,359**	19,799
Bank overdraft	**(295,381)**	(112,826)
	(280,022)	(93,027)

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 impairment. 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 is released to the profit and loss account 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 2005 and 2004 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:

	2005 **Lm**	2004 Lm
Authorised and contracted	**–**	230,000

The Company is pursuing plans to extend the Plaza Shopping Centre. Future capital expenditure in this regard is expected to be in the region Lm500,000.

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.

	2005 **Lm**	2004 Lm
Not later than 1 year	**516,544**	527,192
Later than 1 year and not later than 5 years	**956,481**	590,825
	1,473,025	1,118,017

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 purchases of fixed assets and other supplies and services, before recoveries from tenants, of Lm42,177 (2004: Lm79,766). Income from lettings and premia amounted to Lm47,185 (2004: Lm27,508). Amounts due from or to related undertakings are disclosed in Notes 12 and 14.

Key management personnel compensation consists of directors' emoluments as disclosed in Note 8.

25. Comparative information

Where necessary, the comparative financial information has been re-classified to conform with the current year's disclosure for the purpose of fairer presentation.

26. Statutory information

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

Plaza Centres p.l.c.

The Best Names Under One Roof

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"Location has become an important factor in every organisation's success"

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