Plaza Centres p.l.c.

Annual Report & Financial Statements 2006

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 seventh consecutive year since the Company offered its shares to the public, it gives me great pleasure to report on our Company's positive results for the financial year ending 31 December 2006.

The results are materially in line with our expectations, when considering the external factors which, once again, had an impact on our growth plans, both locally and overseas. Over the years, Plaza Centres p.l.c. maintained a consistent level of growth both in terms of occupancy and profitability. During 2006, the Company achieved one hundred percent occupancy and similar occupancy levels are being anticipated for 2007.

Turnover for the year was Lm656,158 (2005: Lm637,554) and profit before tax amounted to Lm471,417 (2005: Lm427,494). This represents an increase of 10.27% when compared to 2005. Profit after tax amounted to Lm304,552 (2005: Lm270,545) and the Company's cost to income ratio decreased to 30.26% (2005: 35.52%).

On the 23 August 2006, the Malta Environment and Planning Authority issued the necessary permit for the Company to start works on its Tower road extension. Following a tender process, works on the new extension commenced in February 2007. The Company is waiting for the MEPA to issue a full development permit to commence works on our Bisazza Lane extension.

Based on the 2006 positive results, the Board of Directors is recommending a final net dividend of Lm288,068 or 3c06 per share net of tax (2005: Lm255,168) for approval at the forthcoming Annual General Meeting to be held on 25 April 2007. The final net dividend will be paid on 27 April 2007 to all registered shareholders at close of trading on the Malta Stock Exchange on 26 March 2007.

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
20 March 2007

Share Register Information

Share register information pursuant to the Malta Stock Exchange Bye-laws

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

	Beneficial interests at 31.12.06	**Beneficial interests** at 20.03.07
Albert Mizzi	754,280	754,280
Brian R. Mizzi	755,095	755,095
Adrian Strickland	310,981	301,631
Mark Gasan	363,729	363,729
Gerald J. Zammit	125,100	125,100

Shareholders holding 5% or more of the equity share capital

	% holding at 31.12.06	**% holding** at 20.03.07
Middle Sea Valletta Life Assurance Co Ltd	28.09	28.09
HSBC Bank (Malta) p.l.c. As Custodian	10.34	10.34
Mizzi Associated Enterprises Ltd	8.02	8.02
Cenmed Ltd	8.01	8.01
HSBC Life Assurance (Malta) Ltd	6.34	6.34

Shareholding details

As at 31 December 2006, Plaza Centres p.l.c.'s issued share capital was held by 418 shareholders, and as at 20 March 2007 by 418 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 31.12.06	**No of shareholders** at 20.03.07	**Shares** at 31.12.06	**Shares** at 20.03.07
1 - 500 shares	62	62	25,273	24,973
501 - 1000 shares	101	99	85,732	83,732
1001 - 5000 shares	146	146	331,778	332,116
5001 & over	109	111	8,971,217	8,973,179

Company Secretary and Registered Office

Lionel A. Lapira MBA (Henley), AMD
The Plaza Commercial Centre
Penthouse Suite, Level 8
Bisazza Street
Sliema
Malta

20 March 2007

Board of Directors

Albert Mizzi
Chairman

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

Brian R. Mizzi

Within Mizzi Organisation Mr. Brian R. 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 4 years. He is the 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 the Marketing Director of Communiqué Creative Limited.

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 2006.

Principal activities

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

Review of the business

Plaza Centres p.l.c.'s turnover for the year ended 31 December 2006 was Lm656,158 (2005: Lm637,554), whilst profit before tax amounted to Lm471,417 (2005: Lm427,494) representing an increase of 10.27% when compared with 2005. Profit after tax amounted to Lm304,552 (2005: Lm270,545) whilst the Company's cost to income ratio decreased to 30.26% (2005: 35.52%). In 2006 occupancy reached 100% and similar occupancy levels are anticipated during 2007.

During the period being reported, the Malta Environment and Planning Authority issued the necessary permit for the Company to extend the Plaza Shopping Centre. Following a tendering process in the second half of 2006, works on the new extension commenced in February 2007.

Results and dividends

The profit and loss account is set out on page 14. The directors recommend the payment of a final dividend of Lm288,068 (2005: Lm255,168).

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

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

Anne Marie Tabone
Director

Registered office:
The Plaza Commercial Centre
Bisazza Street
Sliema
Malta

20 March 2007

Corporate Governance
Statement of Compliance

Pursuant to Listing Rules 8.37 and 8.38 issued by the Listing Authority of 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") contained in the Listing Rules.

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 during 2006 was composed of the Chairman, Mr. Albert Mizzi, the Chief Executive Officer, Mr. Lionel Lapira and Mr. Gerald J. Zammit. 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 2006 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 2006 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 J. 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
Albert Mizzi	754,280
Brian R. Mizzi	755,095
Adrian Strickland	301,631
Mark Gasan	363,729
Gerald J. Zammit	125,100

Mr. Adrian Strickland sold 131,850 shares during the period from 22 March 2006 to 20 March 2007. 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 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.

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

Each director receives an annual remuneration of Lm1,000.

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.

Corporate Governance
Statement of Compliance - continued

Since 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 the Company's Audit Committee. The terms of reference, approved by the Board of Directors, are modelled on the recommendations of the Listing Rules. 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 2006, the Audit Committee held five meetings. According to Listing Rule 8.61, which was modified as from June 2006 and subsequently in March 2007, the Audit Committee shall meet at least six times a year preferably every two months. The Audit Committee will observe this requirement as from 2007.

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. These commercial relationships between the Company and other companies are related by way of common directors, including the purchasing of supplies and services and the letting of outlets.

During the financial year under review, the Board held nine meetings (10 in 2005).

Communications with Shareholders

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act, 1995 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, through periodical Company announcements to the market in general and through the Company's website. 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 20 March 2007 and signed on its behalf by:

Albert Mizzi
Chairman

Anne Marie Tabone
Director

Independent Auditor's report
on Corporate Governance

To the members of Plaza Centres p.l.c. pursuant to Listing Rule 8.39 issued by the Listing Authority

Listing Rules 8.37 and 8.38 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 8.39 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 8.37 and 8.38 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

20 March 2007

Statement of Directors' Responsibilities

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

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website.

Independent Auditor's report
on the Financial Statements

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

We have audited the financial statements of Plaza Centres p.l.c. on pages 14 to 31 which comprise the balance sheet as at 31 December 2006 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 12, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PricewaterhouseCoopers

167 Merchants Street
Valletta
Malta

20 March 2007

Profit and Loss Account

Year ended 31 December

	Notes	2006 Lm	2005 Lm
Turnover	3	**656,158**	637,554
Marketing costs	4	**(17,565)**	(18,384)
Maintenance costs	4	**(2,221)**	(5,476)
Administrative expenses	4	**(59,679)**	(83,435)
Operating profit before depreciation		**576,693**	530,259
Depreciation	4	**(119,101)**	(119,168)
Operating profit		**457,592**	411,091
Interest receivable	6	**22,435**	36,457
Interest payable	6	**(8,610)**	(20,054)
Profit before tax		**471,417**	427,494
Tax expense	7	**(166,865)**	(156,949)
Profit for the financial year		**304,552**	270,545
Earnings per share (cents)	9	**3c24**	2c87

Balance Sheet

As at 31 December

	Notes	2006 Lm	2005 Lm
ASSETS			
Fixed assets			
Tangible assets - property, plant and equipment	11	**9,640,672**	9,637,911
Other non-current assets			
Debtors	12	**6,000**	386,846
Total non-current assets		**9,646,672**	10,024,757
Current assets			
Debtors	12	**498,046**	155,662
Current taxation receivable		**52,130**	49,414
Cash at bank and in hand	20	**41,015**	15,359
Total current assets		**591,191**	220,435
Total assets		**10,237,863**	10,245,192
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	**4,091,328**	4,094,985
Profit and loss account		**826,890**	773,849
Total equity		**8,129,645**	8,080,261
Provisions for liabilities and charges			
Deferred taxation	15	**1,006,855**	994,430
Creditors - amounts falling due after more than one year			
Interest - bearing borrowings	13	**513,060**	243,280
Trade and other creditors	14	**408,351**	443,410
		921,411	686,690
Total non current liabilities		**1,928,266**	1,681,120
Creditors - amounts falling due within one year			
Interest - bearing borrowings	13	**32,440**	311,601
Trade and other creditors	14	**147,512**	172,210
Total current liabilities		**179,952**	483,811
Total liabilities		**2,108,218**	2,164,931
Total equity and liabilities		**10,237,863**	10,245,192

The financial statements on pages 14 to 31 were authorised for issue by the Board on 20 March 2007 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 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**
Balance at 1 January 2006		1,882,800	1,328,627	4,094,985	773,849	8,080,261
Transfer of depreciation through asset use, net of deferred taxation		-	-	(3,657)	3,657	-
Net (expense)/income recognised directly in equity		-	-	(3,657)	3,657	-
Profit for the financial year		-	-	-	304,552	304,552
Total recognised (expense)/income for 2006		-	-	(3,657)	308,209	304,552
Dividends	10	-	-	-	(255,168)	(255,168)
Balance at 31 December 2006		**1,882,800**	**1,328,627**	**4,091,328**	**826,890**	**8,129,645**

Cash Flow Statement

Year ended 31 December

	Notes	2006 Lm	2005 Lm
Operating activities			
Cash generated from operations	19	**503,348**	589,735
Interest received	6	**22,435**	36,457
Interest paid	6	**(8,610)**	(20,054)
Tax paid		**(157,156)**	(241,344)
Net cash generated from operating activities		**360,017**	364,794
Investing activities			
Purchase of tangible assets		**(121,862)**	(325,013)
Disposal of tangible assets		**1,200**	-
Net cash used in investing activities		**(120,662)**	(325,013)
Financing activities			
Amount received in connection with property sale	12	**50,850**	44,362
Increase/(decrease) in borrowings	13	**286,000**	(20,254)
Dividends paid	10	**(255,168)**	(250,884)
Net cash generated from/(used in) financing activities		**81,682**	(226,776)
Movement in cash and cash equivalents		**321,037**	(186,995)
Cash and cash equivalents at beginning of year		**(280,022)**	(93,027)
Cash and cash equivalents at end of year	20	**41,015**	(280,022)

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 Maltese 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 2006

In 2006, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2006. 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 after 1 January 2006. 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 significant 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 last 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 Plaza Shopping and Commercial Centre, 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 Maltese 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

	2006 Lm	2005 Lm
Staff costs (Note 5)	**64,851**	65,700
Depreciation (Note 11)	**119,101**	119,168
Directors' emoluments (excluding salaries)	**7,000**	16,666
Provision for impairment of debtors	**(18,000)**	-
Other expenses	**25,614**	24,929
Total operating costs	**198,566**	226,463

Auditor's remuneration for the current financial year amounted to Lm1,650 (2005: Lm1,650).

5. Staff costs

	2006 Lm	2005 Lm
Wages and salaries	**60,617**	61,530
Social security costs	**4,234**	4,170
	64,851	65,700

5. Staff costs - continued

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

	2006	2005
Administration	**4**	4
Maintenance	**3**	3
Security	**1**	1
	8	8

6. Interest

	2006 Lm	2005 Lm
Interest receivable		
Trade debtors	**4,549**	6,355
Amount receivable on sale of property	**17,886**	30,102
	22,435	36,457
Interest payable		
Bank loans and overdraft	**8,610**	20,054

7. Tax expense

	2006 Lm	2005 Lm
Current tax expense	**154,440**	162,706
Deferred tax expense/(income) (Note 15)	**12,425**	(5,757)
	166,865	156,949

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

	2006 Lm	2005 Lm
Profit before tax	**471,417**	427,494
Tax on profit at 35%	**164,996**	149,623
Tax effect of:		
- non deductible depreciation	**6,554**	7,326
- interest expense capitalised	**(8,179)**	-
- other differences	**3,494**	-
Tax expense	**166,865**	156,949

8. Directors' emoluments

	2006 Lm	2005 Lm
Directors' fees	**7,000**	6,666
Salaries and other emoluments	**-**	3,158
Gratuity	**-**	10,000
	7,000	19,824

The Company has paid insurance premiums of Lm1,853 (2005: 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.

	2006	2005
Net profit attributable to shareholders	**Lm304,552**	Lm270,545
Weighted average number of ordinary shares in issue	**9,414,000**	9,414,000
Earnings per share (cents)	**3c24**	2c87

10. Dividend

At the forthcoming Annual General Meeting a dividend in respect of 2006 of 3c06 per share, amounting to a total dividend of Lm288,068 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 2007. The dividends declared in respect of 2005 and 2004 were Lm255,168 (2c71 per share) and Lm250,884 (2c66 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 2005					
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
Year ended 31 December 2006					
Opening net book amount	8,622,605	181,858	517,372	316,076	9,637,911
Additions	82,179	2,428	27,106	10,149	121,862
Disposals	-	-	(10,949)	-	(10,949)
Depreciation charge	(24,101)	(13,074)	(61,847)	(20,079)	(119,101)
Depreciation released on disposals	-	-	10,949	-	10,949
Closing net book amount	**8,680,683**	**171,212**	**482,631**	**306,146**	**9,640,672**
At 31 December 2006					
Cost or valuation	8,704,784	326,824	1,299,961	568,501	10,900,070
Accumulated depreciation	(24,101)	(155,612)	(817,330)	(262,355)	(1,259,398)
Net book amount	**8,680,683**	**171,212**	**482,631**	**306,146**	**9,640,672**

In 2006, borrowing costs of Lm23,371 arising on the financing for the extension of the Plaza Shopping Centre were capitalised and are included in 'Additions'. A capitalisation rate of 6% was used, representing the actual borrowing cost of the funds used to finance the project.

Fully depreciated assets which were still in use at 31 December 2006 amounted to Lm231,184 (2005: Lm216,166).

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

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).

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.

	2006 Lm	2005 Lm
Cost	**3,327,236**	3,245,057
Accumulated depreciation	**(127,404)**	(108,929)
Net book amount	**3,199,832**	3,136,128

12. Debtors

	2006 Lm	2005 Lm
Trade debtors on premia	**21,297**	25,963
Trade debtors on rental and other income	**99,062**	80,156
Trade debtors (gross)	**120,359**	106,119
Less: provision for impairment of debtors	**(12,000)**	(30,000)
Trade debtors (net)	**108,359**	76,119
Amount receivable on sale of property	**377,299**	428,149
Other debtors	-	30,000
Prepayments and accrued income	**18,388**	8,240
	504,046	542,508
Amounts included above which are due after more than one year:		
Trade debtors on premia	**6,000**	-
Amount receivable on sale of property	-	386,846
	6,000	386,846

Trade debtors include an amount of Lm10,121 (2005: Lm187) that is owed by related undertakings (Note 24).

Interest on premium debtors is charged at a rate of 6.5% (2005: 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:

	2006 Lm	2005 Lm
Between 1 and 2 years	**6,000**	44,157
Between 2 and 5 years	**-**	151,635
Later than 5 years	**-**	191,054
	6,000	386,846

13. Interest-bearing borrowings

	2006 Lm	2005 Lm
Short term - falling due within one year		
Bank overdraft (Note 20)	**-**	295,381
Bank loans	**32,440**	16,220
Short term borrowings	**32,440**	311,601
Long term		
Bank loans	**513,060**	243,280
Total borrowings	**545,500**	554,881

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 2006 and 2005 amounted to Lm1,045,500.

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

	2006 Lm	2005 Lm
Total borrowings:		
At floating rates	**545,500**	554,881

Effective interest rates at the balance sheet date:

	2006 %	2005 %
Bank overdraft	**6.0**	5.5
Bank loans	**6.0**	5.5

13. Interest-bearing borrowings - continued

Maturity of long term borrowings:

	2006 Lm	2005 Lm
Between 1 and 2 years	**68,190**	32,440
Between 2 and 5 years	**204,570**	97,320
Later than 5 years	**240,300**	113,520
	513,060	243,280

14. Trade and other creditors

	2006 Lm	2005 Lm
Amounts falling due within one year		
Trade creditors	**23,933**	17,757
Capital creditors	**2,661**	3,785
Other taxes and social security	**20,871**	23,510
Other creditors	**10,810**	10,485
Accruals and deferred income	**89,237**	116,673
	147,512	172,210
Amounts falling due after more than one year		
Deferred income	**408,351**	443,410

Trade and capital creditors include an amount of Lm8,431 (2005: Lm10,223) that is owed to related undertakings (Note 24).

15. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2005: 35%), except for temporary differences on land and buildings that are calculated under the liability method using a principal tax rate of 12% of the carrying amount.

	2006 Lm	2005 Lm
At beginning of year	**(994,430)**	(1,559,825)
(Debited)/credited to profit and loss account (Note 7)	**(12,425)**	5,757
Movement in deferred tax on revaluation surplus	-	559,638
At end of year	**(1,006,855)**	(994,430)

15. Deferred taxation - continued

In 2005, the movement in deferred tax on the revaluation surplus was affected by changes in 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:

	2006 Lm	2005 Lm
Temporary differences attributable to deferred premium income	**147,132**	156,250
Temporary differences on provision for impairment of debtors	**4,200**	10,500
Temporary differences arising on fixed assets	**(209,114)**	(210,138)
Temporary differences on asset revaluation (Note 18)	**(949,073)**	(951,042)
	(1,006,855)	(994,430)

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

16. Share capital

	2006 Lm	2005 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

	2006 Lm	2005 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

	2006 Lm	2005 Lm
At beginning of year, before deferred taxation	**5,046,027**	4,659,653
Revaluation surplus arising during the year (Note 11)	**-**	392,000
Transfer to retained profits through asset use	**(5,626)**	(5,626)
At 31 December, before deferred taxation	**5,040,401**	5,046,027
Deferred taxation (Note 15)	**(949,073)**	(951,042)
At 31 December	**4,091,328**	4,094,985

The revaluation reserve is not distributable by way of dividend.

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2006 Lm	2005 Lm
Operating profit	**457,592**	411,091
Adjustments for:		
Depreciation (Note 11)	**119,101**	119,168
Deferred premium income	**(48,722)**	(69,020)
Profit on disposal of tangible assets	**(1,200)**	-
Provision for impairment of debtors	**(18,000)**	-
Changes in working capital:		
Trade and other debtors	**5,612**	136,280
Trade and other creditors	**(11,035)**	(7,784)
Cash generated from operations	**503,348**	589,735

20. Cash and cash equivalents

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

	2006 Lm	2005 Lm
Cash at bank and in hand	**41,015**	15,359
Bank overdraft	**-**	(295,381)
	41,015	(280,022)

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. At 31 December the Company was 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). This amount was settled subsequent to the financial year end.

Fair values
At 31 December 2006 and 2005 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:

	2006	2005
	Lm	Lm
Authorised but not contracted	**279,000**	-
Authorised and contracted	**282,000**	-

The company has commenced the extension of the Plaza Shopping Centre.

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.

	2006	2005
	Lm	Lm
Not later than 1 year	**508,137**	516,544
Later than 1 year and not later than 5 years	**647,010**	956,481
	1,155,147	1,473,025

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 Lm38,682 (2005: Lm42,177). Income from lettings and premia amounted to Lm58,699 (2005: Lm47,185). 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. 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

International Brands

United Colors of Benetton
adams kids
mothercare because little things matter
Miss Selfridge
animal
McDonald's
La Senza Lingerie
Panama Jack
HSBC
The Body Shop
promod
Toni&Guy Hairdressing
ragazzinigenerali
Murphy&Nye

Local Brands

Franks The Perfumery
The Peak Oriental Restaurant
Stella's Coffee Shop
Level One Designerwear
Agenda bookshop
BiBi
Swinger
Zenya Accessory World
Bamboo
Oxbow
Kintai
Bortex Fine Tailoring
Chilli
O'Neill
(gajet)
pedigree
La Tentazione
Leo's Sweet Shop
blu beauty & accessories
Digital 2000
57 Franks
Cardona Leathergoods
The Free Way
Preziosi Gioielleria

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

FIMBANK
Cyka Limited
Communiqué Creative Corporate and Marketing Communications
The Plaza
Northway Financial
FIM Business Solutions A member of the FIMBank Group
FTR
incosta events
BWT
Heathorns International
Amstel Capital Malta Ltd
London Forfaiting Company Ltd A member of the FIMBank Group
GEOS English Language Centre
Medirbet
MedBond Finance Limited

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