Plaza Centres p.l.c.
The Plaza Commercial Centre
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Co. Reg. No. C 564
VAT No. MT 10030232

Company Announcement

Plaza Centres plc (the "Company")

Announces approval of financial statements for the year ended 31 December 2019 and dividend recommendation

Date of announcement	**27 April 2020**
Reference	**PZC 173/2020**
In terms of Chapter 5 of Listing Rules	

QUOTE

Following a meeting of the board of directors held earlier today, Plaza centres plc (the Group") approved its consolidated financial statements for the year ended 31 December 2019.

During 2019, the Group registered a strong financial performance, with average occupancy increasing to 91% (2018: 88%) The average occupancy level of the Plaza Centre during the year stood at 93% (2018: 91%).

The Group generated revenue of €3,550,432 an increase of 8.56% when compared to €3,270,409 (in 2018). This increase is in line with the higher occupancy rates achieved during 2019. Earnings before Interest, Taxation, Depreciation and Amortisation increased by 10.8% from €2,584,905 (2018) to €2,864,323 (2019). Taxation increased from €476,201 (2018) to €512,830 (2019). The Group profit after tax increased to €1,358,161 (2018: €1,095,349).

These financial statements are attached to the present company announcement and can also be viewed on the Company's web portal https://plaza-shopping.com/wp-content/uploads/2020/04/Consolidated-Financial-Statements-31-December-2019.pdf

Between the March and April the board of directors met four times to conduct a comprehensive assessment of the impact that the COVID-19 outbreak has had on the Company and its business thus far, and the likely impact this crisis will have going forward. In this environment, making financial predictions becomes extremely difficult, particularly in view of the uncertainty surrounding the duration of restrictions imposed on business as a measure to prevent the spread of the COVID-19 virus. Retail operations are one of the hardest hit sectors of the economy. The impact of the closure of the retail sector is to a limited extent absorbed by the Group's strategy in recent years, to move towards a mix of revenue streams between commercial and retail leases, increasing the

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contribution of the former, to the overall revenue. The overall impact of the closure will however remain important from an operational income perspective.

Given the prevailing economic uncertainty, management has prepared projections assuming different scenarios to assess the anticipated impact on the Group's projected financial results and cash flows. These projections assume reduced revenue levels under different scenarios that centre around the period within which operations are likely to go back to normal. These projections also take into account the various measures that are being implemented by the Group and the use of banking facilities that the Group can avail itself of. Although the operation's performance will be materially negatively impacted, the Group is adequately capitalised and sufficiently liquid to meet its financial obligations under all the various scenarios being looked at.

In the context of these uncertainties, the need to retain a high level of resilience and liquidity, and in managing the Group's cash resources prudently, the board will be recommending a reduced dividend to shareholders when compared to prior years.

The Directors have therefore resolved to recommend the payment of a final net dividend to shareholders of €320,000 (2018: €831,115) at the annual general meeting scheduled to be held on the 28th July 2020.

UNQUOTE

Signed:

Louis de Gabriele
Company Secretary

PLAZA CENTRES p.l.c.

Annual Report and Consolidated Financial Statements 31 December 2019

Company Registration Number: C 564

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

Principal activities

The Group's principal activity, which is unchanged since last year, is to lease, manage and market the Plaza Shopping and Commercial Centre (owned by the Parent Company) and the Tigne Place Commercial Property (owned by the subsidiary, Tigne Place Limited).

Review of business

The capital investment made during the previous years to upgrade the group's properties, was essential to support the continued interest and demand for such properties. During the year under review this investment, enhanced Plaza's offering and contributed positively towards the Group's revenues and occupancy levels. An example of this is The Plaza Food Hall which was launched in December 2018 and made a positive contribution to the Group's revenue in 2019.

Tigne Place Limited has received an offer to sell Tigne Place and after due consideration by the Board of Directors the offer was accepted and a promise of sale was entered into last December. In terms of the promise of sale agreement the final deed is scheduled to take place by the end of June 2020. With 100% occupancy at year end, Tigne Place has also contributed to increase the group's revenue.

Financial results

During 2019, the Group registered a strong financial performance. The Group's average occupancy rate during 2019 increased to 91% (2018: 88%) The average occupancy level of the Parent Company during the year stood at 93% (2018: 91%).

The Group generated revenue of €3,550,432 an increase of 8.56% when compared to €3,270,409 (in 2018). This increase is in line with the higher occupancy rates achieved during 2019. Earnings before Interest, Taxation, Depreciation and Amortisation increased by 10.8% from €2,584,905 (2018) to €2,864,323 (2019). Taxation increased from €476,201 (2018) to €512,830 (2019). The Group profit after tax increased to €1,358,161 (2018: €1,095,349).

The consolidated statements of financial position reflect an uplift in the value of Tigne Place Commercial Property of €2,755,192.

Operating and other costs

The Group's operating costs amounted to €1,263,749 (2018: €1,237,807) whilst the cost to income ratio decreased to 35.6% (2018: 37.85%).

Outlook for 2020

While at the beginning of the year, the Board was confident that the Group could, if not improve at least confirm the same operating income levels achieved in 2019, the recent global and local developments stemming from the coronavirus pandemic ushered in a completely different financial and economic scenario to the one envisaged a few weeks, or months ago. The Directors consider the consequence of the emergence and spread of COVID-19 in 2020 to be a non-adjusting post balance sheet event.

Directors' report - continued

Review of business - continued

The current level of uncertainty affects every person and every business operation. In this environment, making financial predictions becomes extremely difficult, particularly in view of the uncertainty surrounding the duration of restrictions imposed on business as a measure to prevent the spread of the COVID-19 virus. Retail operations are one of the hardest hit sectors of the economy. At the date that the financial statements have been authorised for issue, the shopping Mall is closed in line with the local Health Authorities' directives. The impact of this closure is to a limited extent absorbed by the Group's strategy in recent years, to move towards a mix of revenue streams between commercial and retail leases, increasing the contribution of the former, to the overall revenue. The overall impact of the closure will however remain important from an operational income perspective.

Given the prevailing economic uncertainty, management has prepared projections assuming different scenarios to assess the anticipated impact on the Group's projected financial results and cash flows. These projections assume reduced revenue levels under different scenarios that centre around the period within which operations are likely to go back to normal. These projections also take into account the various measures that are being implemented by the Group and the use of banking facilities that the Group can avail itself of. Although the operation's performance will be materially negatively impacted, the Group is adequately capitalised and sufficiently liquid to meet its financial obligations under all the various scenarios being looked at.

In the context of these uncertainties, the need to retain a high level of resilience and liquidity, and in managing the Group's cash resources prudently, the board will be recommending a reduced dividend to shareholders when compared to prior years.

The financial performance and cashflows emanating from the scenarios described above, demonstrate that the use of the going concern assumption remains appropriate. Furthermore, based on the projected cash flows assumed in these scenarios, the likely impact on the property valuation is not considered to be significant.

The Board continues to monitor the situation very closely and will take any actions it deems to be appropriate depending on the unfolding scenario. The Board believes that this scenario of heightened uncertainty requires the Company to be more prudent than ever, in order maintain the financial muscle to implement the necessary mitigating measures. The Board is confident that with the strong Group's financial fundamentals together with prudent and timely measures, it can withstand these unprecedented headwinds and be in a position to continue to create value for its stakeholders as soon as, the world and the country, start moving back to a more normal way of life.

Financial risk management

Information relating to the Group's financial risk management is disclosed in Note 2 to the financial statements.

Results, dividends and reserves

The consolidated financial results are set out on in the income statement. The Directors recommend the payment of a final net dividend of €320,000 (2018: €831,115). Retained earnings carried forward at the end of the financial reporting period amounted to €3,660,660 (2018: €3,122,366) for the Group and €3,427,534 (2018: €3,010,323) for the Parent Company.

Directors' report - continued

Directors

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

Charles J. Farrugia
David G. Curmi
Emanuel P. Delia
Alan Mizzi
Brian R. Mizzi
Etienne Sciberras
Gerald J. Zammit

The Directors are required in terms of the Parent 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 Parent 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 Parent Company provide for a Board of Directors of not less than five and not more than seven members.

Share capital of the Parent Company

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

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

The Parent Company does not operate any employee share option schemes.

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

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

Directors' report - continued

Share capital of the Parent Company

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

	% holding At 31.12.19
MAPFRE MSV Life p.l.c.	28.36%
Rizzo Farrugia & Co (Stockbrokers) Ltd – Nominee Account	10.18%
Mizzi Organisation Limited (formerly Mizzi Holdings Limited)	8.18%
Alf. Mizzi & Sons Ltd	7.85%
Lombard Bank Malta p.l.c.	5.07%

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Parent Company as at the end of each reporting period and of the profit or loss for that period.

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

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

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Plaza Centres p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and made available on the Parent Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Parent Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Statement of Directors' responsibilities for the financial statements - continued

The Directors further confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that it faces.

Going concern basis

After making due enquiries, the Directors have a reasonable expectation, at the time of approving the financial statements, that the Group and the Parent Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

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

On behalf of the Board

Charles J. Farrugia
Chairman

Etienne Sciberras
Director

Registered office:
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Level 6, Bisazza Street
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Malta

Company secretary:
Louis de Gabriele

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27 April 2020

Corporate Governance - Statement of compliance

1. Introduction

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

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

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

2. General

Plaza’s governance principally lies with its Board which is responsible for the overall determination of Plaza’s policies and business strategies. Plaza’s principal activity is to lease, manage and market its Shopping and Commercial Centres.

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

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

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

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code

Principles One to Five

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

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

Principle One: The Board

The Board is composed of members who are fit and proper to direct the business of Plaza with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of Plaza. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.

The Board is responsible for determining Plaza's strategic aims and organisational structure, whilst ensuring that Plaza has the appropriate mix of financial and human resources to meet its objectives and improve its performance.

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

Plaza has a structure that ensures a mix of executive and non-executive Directors that enables the Board, and particularly the non-executive Directors to have direct information about Plaza's performance and business activities.

Principle Two: Chairman and Chief Executive

In line with the requirements of Principle Two, Plaza has segregated the functions of the CEO and the Chairman. Whilst the CEO heads the Executive Committee and management, the Chairman's main function is to lead the Board and set its agenda, a function which the Board believes has been conducted in compliance with the dictates of Code Provision 2.2. The Chairman is also responsible to ensure that the Board receives precise, timely and objective information so that the directors can take sound decisions and effectively monitor the performance of Plaza. The Chairman exercises independent judgement and ensures that, during Board meetings, there is effective communication with stakeholders as well as active engagement by all directors for the discussion of complex and/or contentious issues.

The CEO is accountable to the Board of Plaza for all business operations. He has the power and authority to appoint the persons to fill in the post of each member of the Executive Committee. He also has the discretion to ask any one or more of such members, from time to time, to address the Board on matters relating to the operations of Plaza.

Corporate Governance - Statement of compliance - continued

3. **Compliance with the Code** - continued

Principle Three: Composition of the Board

The composition of the Board, in line with the requirements of Principle Three, is composed of executive and non-executive Directors. During 2019, the Board was composed of two directors having an executive role as part of the Executive Committee and five other Directors acting in a non-executive capacity. The members of the Board for the year under review were Mr. Charles J. Farrugia (Chairman), Mr. David G. Curmi, Prof. Emanuel P. Delia, Mr. Alan Mizzi, Mr. Brian R. Mizzi, Mr. Etienne Sciberras and Mr. Gerald J. Zammit. Pursuant to generally accepted practices, as well as Plaza's Articles of Association, the appointment of Directors to the Board is reserved exclusively to Plaza's shareholders, except in so far as an appointment is made to fill a vacancy on the Board.

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

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code, notwithstanding the relationships disclosed hereunder. The non-executive Directors who held office at 31 December 2019 were the following:

i) David G. Curmi – the chief executive officer of Mapfre MSV Life p.l.c., which company is a shareholder of Plaza;
ii) Prof. Emanuel P. Delia – the chairman of Amalgamated Investments SICAV p.l.c., which company is a shareholder of Plaza;
iii) Alan Mizzi – a director of Alf. Mizzi & Sons Ltd, which company is a shareholder of Plaza;
iv) Brian R. Mizzi – a director of Mizzi Organisation Limited, which company is a shareholder of Plaza;
v) Etienne Sciberras – a senior officer of Mapfre MSV Life p.l.c., which company is a shareholder of Plaza.

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

None of the non-executive Directors:

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

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

In terms of Code Provision 3.4, each non-executive director has declared in writing to the Board that he/she undertakes:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm Plaza.

Principle Four: The Responsibilities of the Board

In terms of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development.

<u>The Executive Committee</u>

Whilst these are matters which are reserved for the Board to determine, the Board believes that this responsibility includes the appropriate delegation of authority, and accountability for Plaza's day to day business, to the Executive Committee in a manner that is designed to provide high levels of comfort to the Directors that there is proper monitoring and accountability apart from the appropriate implementation of policy. The Executive Committee operates under its formal Terms of Reference. Matters relating to administration, finance and strategy are, however, discussed at Board level.

During 2019, the Executive Committee was composed of the following members:

Mr. Charles J. Farrugia – the Chairman of Plaza;
Mr. Steve Abela – the CEO; and
Mr. Gerald J. Zammit – Director.

The Executive Committee has met 3 times during the year under review (2018: 5).

<u>The Audit Committee</u>

Plaza has established an Audit Committee in line with the requirements of the Listing Rules whose principal role is the monitoring of internal systems and control. Unlike the provisions of the Code, which are not mandatory in nature, the Directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The members of the Audit Committee for the year under review were Mr. Etienne Sciberras (Chairman of the Audit Committee), Prof. Emanuel P. Delia and Mr. Brian R. Mizzi. The Directors believe that Mr. Etienne Sciberras is independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. The Directors believe that Mr. Etienne Sciberras satisfies the independence criteria as he is independent within the meaning of the Code as explained above in this Statement. Furthermore, Mr. Sciberras is also competent in accounting/auditing given his extensive experience in the financial services sector and has the necessary skills to undertake the responsibilities required of him.

The terms of reference, approved by the Board, are modelled on the recommendations of the Listing Rules.

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

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

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

In the period under review, the Audit Committee met 4 times (2018: 5).

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

In fulfilling its mandate, the Board assumes responsibility to:

a) Establish appropriate corporate governance standards;
b) Review, evaluate and approve, on a regular basis, long-term plans for Plaza;
c) Review, evaluate and approve Plaza's budgets and forecasts;
d) Review, evaluate and approve major resource allocations and capital investments;
e) Review the financial and operating results of Plaza;
f) Ensure appropriate policies and procedures are in place to manage risks and internal control;
g) Review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
h) Review, evaluate and approve compensation to senior management; and
i) Review periodically Plaza's objectives and policies relating to social, health and safety and environmental responsibilities.

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

As part of succession planning, the Board and CEO ensure that Plaza implements appropriate schemes to recruit, retain and motivate employees and senior management.

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

During the financial year under review, the Board held 7 meetings (2018: 9).

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

Principle Five: Board Meetings

The Board believes that it complies fully with the requirements of this principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time to Directors to prepare themselves for such meetings. Minutes are prepared during Board meetings recording faithfully attendance, discussions and resolutions. These minutes are subsequently circulated to all directors as soon as practicable after the meeting.

The Board meets as often and as frequently required in line with the nature and demands of the business of Plaza. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as directors of Plaza.

The following is the attendance at board meetings of each of the Directors during 2019:

Mr. Charles J. Farrugia - Chairman	7
Mr. David G. Curmi	5
Prof. Emanuel P. Delia	7
Mr. Alan Mizzi	7
Mr. Brian R. Mizzi	7
Mr. Etienne Sciberras	7
Mr. Gerald J. Zammit	7

The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board strikes a balance between long-term strategic and short-term performance issues.

Principle Six: Information and Professional Development

The Board believes that this principle has been duly complied with for the period under review. The CEO is appointed by the Directors and enjoys the full confidence of the Board. The Board actively participates in the appointment of senior management and ensures that there is adequate training in Plaza for directors, management and employees. The Board ensures that all directors are supplied with precise, timely and clear information so that they can effectively contribute to board decisions and in line with the high standards expected of them. During the year under review the directors were provided with one session of professional development and training.

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

Principle Seven: Evaluation of the Board's performance

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

Principle Eight: Committees

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

The Board has established a remuneration policy for Directors and senior executives, underpinned by formal and transparent procedures for the development of such a policy and the establishment of the remuneration packages of individual Directors.

The Board notes that the organisational set-up of Plaza consists of 17 employees (including two employed by Tigne Place Limited), of whom 1 is considered to be a senior officer. The size of its human resource does not, in the opinion of the Directors, warrant the establishment of an *ad hoc* Remuneration Committee. Remuneration policies have therefore been retained within the remit of the Board itself. The Directors of Plaza are entitled to a variable bonus which is dependant on the performance of the Group and which is calculated through an objective and automatic formula, being: (5 x Outperformance) x base remuneration of the directors, where the term 'Outperformance' refers to the percentage by which the profits before tax of Plaza registered for a particular financial year exceed 105% of the profits before tax registered by Plaza for the relative previous year, in both cases, in accordance with the audited financial statements of Plaza for the respective years. In no case shall the total bonuses payable exceed €70,000. Further, the senior officer is entitled to a cash performance bonus, which varies in line with improvements in Plaza's profitability and which is subject to the review of the Board.

The aggregate amount of fixed remuneration paid to all Directors of Plaza was €72,700 during 2019 and each Director received an annual remuneration of €7,200, apart from the Chairman who received €10,000. The aggregate amount of remuneration paid to all Directors also includes the amount of €3,900, received by each of the three directors who sit on the Audit Committee, amounting in total to €11,700 as an annual Audit Committee remuneration. The aggregate amount of remuneration paid to all Directors also includes the amount of €3,900 received by each of the two directors who sit on the Executive Committee, amounting in total to €7,800 as an annual Executive Committee remuneration. The Board deems the disclosure of the total emoluments received by the senior officer as commercially sensitive and is hence availing itself of the exemption pursuant to Code Provision 8.A.6. The Directors' variable bonus for 2019 amounted to €54,140 (2018: nil), which payment is being temporarily suspended and reconsidered at a later stage.

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

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

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

Principles Nine and Ten: Relations with Shareholders and with the Market, and Institutional Shareholders

The Board serves the legitimate interests of Plaza, accounts to shareholders fully and ensures that Plaza communicates with the market effectively through a number of company announcements that it published, informing the market of significant events happening within Plaza. The Board notes that the reaction of market participants to Plaza's communication strategy of important events has been positive.

Plaza will soon be holding its 20th Annual General Meeting where the Board intends to communicate directly with shareholders on the performance of Plaza over the last financial year and to inform shareholders of the challenges that lie ahead.

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

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

Plaza's Articles of Association allow minority shareholders to call special meetings on matters of importance to Plaza, provided that the minimum threshold of ownership established in the Articles of Association is met.

Principle Eleven: Conflicts of Interest

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

Corporate Governance - Statement of compliance - continued

3. Compliance with the Code - continued

Commercial relationships between Plaza and other companies with common Directors and shareholders may include the purchase of supplies and services, and the letting of outlets. Such contracts are entered into in the ordinary course of business and terms and conditions of new contracts negotiated are reviewed by Plaza's Audit Committee. During the financial year under review, these contracts included: supplies and services of €6,076 (2018: €5,174) and income from lettings and premia of €69,726 (2018: €67,613). Other related party transactions as defined by IAS 24 are disclosed in Note 31 to the financial statements.

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

- Alan Mizzi has an indirect interest in the share capital of Plaza by virtue of his ultimate effective holding of 16.18% shares in Alf. Mizzi & Sons Ltd that holds a 7.85% shareholding in Plaza Centres p.l.c.

- Brian R. Mizzi has an indirect interest in the share capital of Plaza by virtue of his ultimate effective holding of 8.33% shares in Mizzi Organisation Limited that holds an 8.18% shareholding in Plaza Centres p.l.c.

- Charles J. Farrugia has a direct interest in the share capital of Plaza by virtue of his holding of 0.08% shares in Plaza Centres p.l.c.

- Gerald J. Zammit has a direct interest in the share capital of Plaza by virtue of his holding of 0.01% shares in Plaza Centres p.l.c.

Principle Twelve: Corporate Social Responsibility

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

4. Non-Compliance with the Code

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

Code Provision	Explanation
2.1	Although the posts of the Chairman and the Chief Executive Officer are occupied by different individuals in line with Code Provision 2.1, the division of their responsibilities has not been set out in writing. Nevertheless, the Board feels that there is significant experience and practice that determines the two roles.

Corporate Governance - Statement of compliance - continued

4. **Non-Compliance with the Code** - continued

Code Provision	**Explanation**
2.3	With respect to Code Provision 2.3, the Board notes that the Chairman is also a member of the Executive Committee. However, the Board is of the view that this function of the Chairman does not impinge on his ability to bring to bear independent judgement to the Board.
4.2	The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7.
7.1	The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1. The Board believes that the size of Plaza and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of Plaza's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an *ad-hoc* committee for this purpose. The Board shall retain this matter under review over the coming year.
8A	The Board has not appointed a Remuneration Committee in line with Code Provision 8A, particularly in light of the objectivity with which variable remuneration is computed. Variable remuneration payable to Directors is subject to a cap and is computed on the basis of a simple, automatic formula, which, in the Board's view, does not necessistate the establishment of a separate Remuneration Committee. Variable remuneration for Directors has only been introduced during 2017 and the Board thus intends to keep under review the utility and possible benefits of having a Remuneration Committee in due course.
8B	The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Directors be appointed by a shareholding qualification to the Board. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of Directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint Directors pursuant to the Articles of Association. The Board, however, intends to keep under review the utility and possible advantages of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.

Corporate Governance - Statement of compliance - continued

4. Non-Compliance with the Code - continued

Code Provision	Explanation
9.3	There are no procedures in place within Plaza for the resolution of conflicts between minority and controlling shareholders, nor does the Memorandum and Articles of Association contemplate any mechanism for arbitration in these instances. This is mitigated by ongoing open dialogue between executive management and non-executive Directors of Plaza, to ensure that such conflicts do not arise and if they do are effectively managed.
9.4	Plaza does not have a policy in place to allow minority shareholders to present an issue to the Board.

5. Internal control

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

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

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

Organisation

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

Control Environment

Plaza is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

Plaza has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk Identification

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

Corporate Governance - Statement of compliance - continued

6. General meetings

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

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

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

The Directors' statement of responsibilities for preparing the financial statements is set out on pages 4 and 5.

The information required by Listing Rule 5.97.5, where applicable for Plaza, is found in the Directors' Report.

Approved by the Board of Directors on 27 April 2020 and signed on its behalf by:

Charles J. Farrugia	Etienne Sciberras
Chairman	Director

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Plaza Centres p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 December 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Plaza Centres p.l.c.'s financial statements, set out on pages 25 to 67, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiary are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

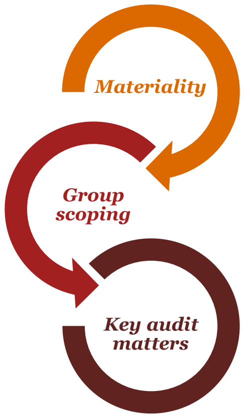
The non-audit services that we have provided to the Group and its subsidiary, in the period from 1 January 2019 to 31 December 2019, are disclosed in Note 19 to the financial statements.

Independent auditor's report - continued

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

Our audit approach

Overview



Overall Group materiality: €93,000, which represents 5% of profit before tax.

The audit carried out by the group engagement team covered the two components within the Group (being the parent and its only wholly owned subsidiary).

Valuation of property, plant and equipment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€93,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We chose 5%, which is within the range of acceptable quantitative materiality thresholds.

Independent auditor's report *- continued*

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €9,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of property, plant and equipment (Notes 4 and 11), relating to the Group and the Parent Company	
The Group's property comprises of two sites, the Plaza Shopping and Commercial Centre (classified as property, plant and equipment) and the Tigne Place Commercial Property (classified as assets classified as held for sale), having an aggregate value of €47.6 million. Both properties, which lease units primarily for either office and retail activity, were revalued as at 31 December 2019. As explained in Note 4 to the financial statements, the valuations of the group properties were carried out using two different techniques. The Plaza property valuation was determined using the discounted cash flow approach. The most significant estimates and judgements affecting this valuation include the projected pre-tax cash flows or rental income, the growth rates and the discount rate. The valuation of the Tigne Place property was based on the adjusted sales comparison approach as evidenced by a preliminary sales agreement dated December 2019. Following the valuation assessment performed: - a revaluation surplus of €2.8 million was recognised in relation to the Tigne Place property; - the Plaza property's fair value established by the architect was not materially different from the carrying amount and accordingly no adjustment was required.	We reviewed the respective valuation report and preliminary sales agreement and discussed the documents with the valuer and management and confirmed that the valuation approaches used were in accordance with professional valuation standards. We agreed the property information in the documents to the underlying property records held by the Group. With respect to the Plaza property, we tested the data inputs, including the rental income streams and the contracted rental inflation adjustments by agreeing them to supporting rental agreements. For the Tigne Place property, we agreed the carrying amount to the value disclosed in the preliminary sales agreement and also reviewed the related terms and conditions. We also engaged our in-house valuation experts to assess the appropriateness of the fair values, particularly by understanding the methodology and assumptions being used, testing the accuracy of the workings within the respective valuation models and challenging the assumptions used.

Independent auditor's report *- continued*

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

Key audit matter	How our audit addressed the Key audit matter
We focused on this area because of the significance of the carrying value of the properties in the consolidated and parent company statements of financial position and the judgemental nature of the assumptions used in the valuation model.	We discussed the valuations with the Audit Committee and concluded, based on our audit work, that the Group's property valuations were within an acceptable range of values. The valuations as at 31 December 2019 did not contemplate the impact of COVID-19, which is considered to be a non-adjusting post balance sheet event as explained in Note 32 to the financial statements.

How we tailored our group audit scope

The Group is composed of two components: Plaza Centres p.l.c. (the parent company) and Tigne Place Limited (its wholly owned subsidiary). We tailored the scope of our audit in order to perform sufficient work on both components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Independent auditor's report - *continued*

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

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent Company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

Independent auditor's report *- continued*

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

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

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

In our opinion, the Statement of Compliance set out on pages 6 to 17 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Parent Company for the financial year ended 31 December 1978. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 42 years. The Parent Company became listed on a regulated market on 6 June 2000.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

27 April 2020

Statements of financial position

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
		As at 31 December			
ASSETS					
Non-current assets					
Property, plant and equipment	4	**34,094,820**	45,044,982	**34,094,820**	34,244,982
Intangible assets	5	**16,958**	-	**16,958**	-
Investment in subsidiary	6	**-**	-	**100,000**	100,000
Loans receivable	7	**-**	-	**5,303,970**	5,203,059
Total non-current assets		**34,111,778**	45,044,982	**39,515,748**	39,548,041
Current assets					
Trade and other receivables	8	**558,777**	671,039	**1,227,971**	1,171,055
Financial assets at fair value through profit or loss	9	**343,428**	53,200	**343,428**	53,200
Current tax assets		**-**	48,828	**-**	48,828
Cash and cash equivalents	10	**330,757**	218,565	**302,518**	46,601
		1,232,962	991,632	**1,873,917**	1,319,684
Assets classified as held for sale	11	**13,500,000**	-	**-**	-
Total current assets		**14,732,962**	991,632	**1,873,917**	1,319,684
Total assets		**48,844,740**	46,036,614	**41,389,665**	40,867,725
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**5,648,400**	5,648,400	**5,648,400**	5,648,400
Share premium	13	**3,094,868**	3,094,868	**3,094,868**	3,094,868
Revaluation reserve	14	**19,078,343**	16,169,315	**16,018,900**	16,022,391
Retained earnings		**3,660,660**	3,122,366	**3,427,534**	3,010,323
Total equity		**31,482,271**	28,034,949	**28,189,702**	27,775,982
Non-current liabilities					
Trade and other payables	15	**107,274**	119,294	**107,274**	119,294
Lease liabilities	4	**19,150**	-	**19,150**	-
Borrowings	16	**11,110,903**	11,527,504	**8,371,663**	8,355,177
Deferred tax liabilities	17	**4,208,213**	4,381,119	**3,533,423**	3,549,002
Total non-current liabilities		**15,445,540**	16,027,917	**12,031,510**	12,023,473
Current liabilities					
Trade and other payables	15	**1,009,841**	1,093,877	**756,890**	691,582
Lease liabilities	4	**4,850**	-	**4,850**	-
Current tax liabilities		**467,859**	457,200	**406,713**	376,688
Borrowings	16	**434,379**	422,671	**-**	-
Total current liabilities		**1,916,929**	1,973,748	**1,168,453**	1,068,270
Total liabilities		**17,362,469**	18,001,665	**13,199,963**	13,091,743
Total equity and liabilities		**48,844,740**	46,036,614	**41,389,665**	40,867,725

The notes on pages 31 to 67 are an integral part of these financial statements.

The financial statements on pages 25 to 67 were authorised for issue by the Board on 27 April 2020 and were signed on its behalf by:

Charles J. Farrugia
Chairman

Etienne Sciberras
Director

Income statements

		Year ended 31 December			
		Group		**Company**	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Revenue	18	**3,550,432**	3,270,409	**2,761,271**	2,568,269
Other operating income		**-**	-	**42,000**	42,000
Marketing and maintenance costs	19	**(100,449)**	(91,541)	**(92,620)**	(87,987)
Administrative expenses	19	**(585,660)**	(593,963)	**(554,523)**	(560,843)
Operating profit before depreciation		**2,864,323**	2,584,905	**2,156,128**	1,961,439
Depreciation and amortisation	19	**(577,640)**	(552,303)	**(422,433)**	(414,078)
Operating profit		**2,286,683**	2,032,602	**1,733,695**	1,547,361
Investment and other related income	21	**38,702**	(378)	**38,702**	(378)
Finance income	22	**3,741**	3,543	**227,073**	224,520
Finance costs	29	**(458,135)**	(464,217)	**(356,381)**	(351,544)
Profit before tax		**1,870,991**	1,571,550	**1,643,089**	1,419,959
Tax expense	24	**(512,830)**	(476,201)	**(406,011)**	(396,589)
Profit for the year		**1,358,161**	1,095,349	**1,237,078**	1,023,370
Earnings per share (cents)	26	**4c81**	3c88		

The notes on pages 31 to 67 are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		**Company**	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Profit for the year		**1,358,161**	1,095,349	**1,237,078**	1,023,370
Other comprehensive income: *Items that will not be reclassified to profit or loss*					
Revaluation surplus on land and buildings arising during year, before deferred tax	14	**2,755,192**	979,251	**-**	-
Movements in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	14, 17	**165,084**	(833,390)	**7,757**	(1,063)
Total other comprehensive income		**2,920,276**	145,861	**7,757**	(1,063)
Total comprehensive income for the year		**4,278,437**	1,241,210	**1,244,835**	1,022,307

The notes on pages 31 to 67 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Share premium €	Revaluation reserves €	Retained earnings €	Total equity €
Balance at 1 January 2018		5,648,400	3,094,868	16,034,702	2,846,884	27,624,854
Comprehensive income						
Profit for the year		-	-	-	1,095,349	1,095,349
Other comprehensive income:						
Revaluation surplus on land and buildings arising during year, before deferred tax	14	-	-	979,251	-	979,251
Movements in deferred tax liability determined on the basis applicable to property disposals	14, 17	-	-	(833,390)	-	(833,390)
Depreciation transfer through asset use, net of deferred tax	14, 17	-	-	(11,248)	11,248	-
Total other comprehensive income		-	-	134,613	11,248	145,861
Total comprehensive income		-	-	134,613	1,106,597	1,241,210
Transactions with owners						
Dividends for 2017	27	-	-	-	(831,115)	(831,115)
Balance at 31 December 2018		5,648,400	3,094,868	16,169,315	3,122,366	28,034,949
Comprehensive income						
Profit for the year		-	-	-	1,358,161	1,358,161
Other comprehensive income:						
Revaluation surplus on land and buildings arising during year, before deferred tax	14	-	-	2,755,192	-	2,755,192
Movements in deferred tax liability determined on the basis applicable to property disposals	14, 17	-	-	165,084	-	165,084
Depreciation transfer through asset use, net of deferred tax	14, 17	-	-	(11,248)	11,248	-
Total other comprehensive income		-	-	2,909,028	11,248	2,920,276
Total comprehensive income		-	-	2,909,028	1,369,409	4,278,437
Transactions with owners						
Dividends for 2018	27	-	-	-	(831,115)	(831,115)
Balance at 31 December 2019		**5,648,400**	**3,094,868**	**19,078,343**	**3,660,660**	**31,482,271**

Statements of changes in equity - continued

Company	Notes	**Share capital** €	**Share premium** €	**Revaluation reserves** €	**Retained earnings** €	**Total equity** €
Balance at 1 January 2018		5,648,400	3,094,868	16,034,702	2,806,820	27,584,790
Comprehensive income						
Profit for the year		-	-	-	1,023,370	1,023,370
Other comprehensive income:						
Movement in deferred tax liability determined on the basis applicable to property disposals	14, 17	-	-	(1,063)	-	(1,063)
Depreciation transfer through asset use, net of deferred tax	14, 17	-	-	(11,248)	11,248	-
Total other comprehensive income		-	-	(12,311)	11,248	(1,603)
Total comprehensive income		-	-	(12,311)	1,034,618	1,022,307
Transactions with owners						
Dividends for 2017	27	-	-	-	(831,115)	(831,115)
Balance at 31 December 2018		5,648,400	3,094,868	16,022,391	3,010,323	27,775,982
Comprehensive income						
Profit for the year		-	-	-	1,237,078	1,237,078
Other comprehensive income:						
Movement in deferred tax liability determined on the basis applicable to property disposals	14, 17	-	-	7,757	-	7,757
Depreciation transfer through asset use, net of deferred tax	14, 17	-	-	(11,248)	11,248	-
Total other comprehensive income		-	-	(3,491)	11,248	7,757
Total comprehensive income		-	-	(3,491)	1,248,326	1,244,835
Transactions with owners						
Dividends for 2018	27	-	-	-	(831,115)	(831,115)
Balance at 31 December 2019		**5,648,400**	**3,094,868**	**16,018,900**	**3,427,534**	**28,189,702**

The notes on pages 31 to 67 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		**Company**	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	28	**2,628,997**	2,529,515	**2,124,300**	1,789,103
Interest received		**3,741**	3,543	**3,741**	3,543
Interest paid		**(438,850)**	(446,150)	**(337,096)**	(333,477)
Net income tax (paid)/refunded		**(461,165)**	121,525	**(334,980)**	167,885
Net cash generated from operating activities		**1,732,723**	2,208,433	**1,455,965**	1,627,054
Cash flows from investing activities					
Payments for property, plant and equipment and intangible assets		**(452,746)**	(782,443)	**(352,731)**	(659,060)
Payments for purchase of equity investments		**-**	(343,000)	**-**	(343,000)
Proceeds from refunds arising from unallocated equity investments		**88,739**	-	**88,739**	-
Loans advanced to subsidiary	7	**-**	-	**(100,911)**	(6,517)
Dividends received from equity investments	21	**2,735**	2,422	**2,735**	2,422
Net cash used in investing activities		**(361,272)**	(1,123,021)	**(362,168)**	(1,006,155)
Cash flows from financing activities					
Repayments of bank borrowings	16	**(421,379)**	(539,132)	**-**	-
Principal elements of lease payments	4	**(6,765)**	-	**(6,765)**	-
Dividends paid	27	**(831,115)**	(831,115)	**(831,115)**	(831,115)
Net cash used in financing activities		**(1,259,259)**	(1,370,247)	**(837,880)**	(831,115)
Net movement in cash and cash equivalents		**112,192**	(284,835)	**255,917**	(210,216)
Cash and cash equivalents at beginning of year		**218,565**	503,400	**46,601**	256,817
Cash and cash equivalents at end of year	10	**330,757**	218,565	**302,518**	46,601

The notes on pages 31 to 67 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Plaza Centres p.l.c. and its subsidiary. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class of property, plant and equipment, and available-for-sale financial assets.

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

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group accounting policies impacting the financial performance and position. The Group had to change its accounting policies, for leases where the Group is the lessee, as a result of adopting IFRS 16, 'Leases' but the Group did not require retrospective adjustments. The new accounting policies are disclosed in Note 1.20 below. The other amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the Group's current financial period ended 31 December 2019. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's Directors are of the opinion that, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 Segment reporting

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

1. Summary of significant accounting policies - continued

1.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

The Group owns and operates commercial property that is fully serviced and which activity extends beyond the mere leasing out of retail space. The extent of the services provided by the Group is deemed to be significant to the arrangement with the tenants as a whole. Accordingly, the commercial property owned and managed by the Group is treated as property, plant and equipment under the requirements of IAS 16 rather than investment property under IAS 40.

Property, plant and equipment, comprising land and buildings, electrical installations, plant, machinery and equipment, and furniture and fittings are initially recorded at cost. Land and buildings are subsequently shown at market value, based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost (Note 1.19).

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

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

	%
Buildings	1 - 10
Electrical installations	4
Plant, machinery and equipment	5 - 20
Furniture and fittings	3.33 - 33.33

Assets in the course of construction are not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.6 Intangible assets – computer software

Acquired computer software applications are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives four (4) years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Amortisation is included within 'administrative expenses' in profit or loss.

1.7 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use, and a sale is considered highly probable. These assets may be a component of the entity, a disposal group or an individual non-current asset.

1.8 Impairment of non-financial assets

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

1.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

1. Summary of significant accounting policies - continued

1.9 Financial assets - continued

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets are included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investment in OCI, there's no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Summary of significant accounting policies - continued

1.10 Loans receivable

All loans receivable are recognised when cash is advanced to the borrowers. Loans receivable are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method, less expected credit loss allowances.

1.11 Trade and other receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts, if any. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.13 Share capital

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

1.14 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss other than derivative contracts, under IFRS 9. Financial liabilities not at fair value through profit or loss, are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. **Summary of significant accounting policies** - continued

1.15 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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

1.16 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.19 Revenue recognition

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

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

(a) Rental income

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

(b) Finance income

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

1.20 Leases

(a) A group undertaking is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee.

Until 31 December 2018, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

1. Summary of significant accounting policies - continued

1.20 Leases - continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(b) A group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.5. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1. Summary of significant accounting policies - continued

1.21 Borrowing costs

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

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

1.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group's transactions and recognised assets and liabilities are all denominated in euro and hence the Group is not exposed to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's significant interest-bearing assets and liabilities, and related interest rate and maturity information, are disclosed in Notes 7, 8 and 16.

The Group's instruments which are subject to fixed interest rates comprise the bonds issued to the general public (Note 16) and overdue receivables (Note 8). The Company's fixed interest instruments also comprise loans receivable from subsidiary (Note 7). In this respect, the Group and the Company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

2. Financial risk management - continued

The Group's cash flow interest rate risk principally arises from bank borrowings issued at variable rates (Note 16), which exposes the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. The Group's operating cash flows are substantially independent of changes in market interest rates. Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

(iii) Price risk

The Group is exposed to equity securities price risk in view of investments held by the Parent Company which have been classified in the statement of financial position as financial assets at fair value through profit or loss. These equity investments are quoted on the Malta Stock Exchange (refer to Note 9) and are accordingly incorporated in the MSE equity index. In the context of the Group's and Company's figures reported in the statement of financial position, the impact of a reasonable possible shift in the MSE equity index on the Company's available-for-sale revaluation reserve is not deemed significant.

(b) Credit risk

Financial assets that potentially subject the Group to credit risk consist principally of cash and cash equivalents and credit exposure to customers, including outstanding receivables and committed transactions. The Company is also exposed to credit risk with respect to loans to its subsidiary.

The Group's and the Company's exposures to credit risk as at the end of each reporting period are analysed as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans receivable (Note 7)	**-**	-	**5,303,970**	5,203,059
Trade and other receivables (Note 8)	**413,965**	627,671	**1,093,454**	1,134,050
Cash and cash equivalents (Note 10)	**330,757**	218,565	**302,518**	46,601
	744,722	846,236	**6,699,942**	6,383,710

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

Cash and cash equivalents

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

2. Financial risk management - continued

Trade receivables

The group's trade receivables do not contain significant financing components, and accordingly the group applies the IFRS 9 simplified approach to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk. The Group assesses the credit quality of its tenants, the majority of which are unrated, taking into account financial position, past experience and other factors. The Group manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from tenants as at the end of the reporting period. The Group monitors the performance of its trade receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable. Concentration of credit risk with respect to trade receivables is limited due to the number of customers comprising the Group's debtor base.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with tenants for whom there is no recent history of default. Management does not expect any material losses from non-performance by these tenants.

On the basis of the matters described above and considering that the Group never experienced material defaults from its receivables, any identified expected credit loss is deemed to be insignificant. Credit loss allowances also include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The individually credit impaired trade receivables mainly relate to independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. In this respect, the group has recognised specific impairment provisions during the current financial year, against credit impaired individual exposures which have demonstrated objective evidence of being impaired. As at 31 December 2019, trade receivables for the Group and the Company amounting to €18,575 (2018: €10,585) and €17,974 (2018: €9,984) respectively were impaired.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 December 2019, the Group had an amount of €33,448 (2018: €9,329) which was part due by over 120 days but not credit impaired.

2. Financial risk management - continued

Other receivables

With respect to other receivables as at 31 December 2019, while such amounts are also subject to the impairment requirements of IFRS 9, the identified expected credit loss is not deemed to be significant. With respect to the other receivables as at 31 December 2018, no credit risk had been envisaged in view of the fact that such amounts represented funds deposited with the company's financial intermediary in advance for the purchase of future equity investments, which deal was concluded in January 2019.

Amounts receivable from subsidiary

The Company's loans receivable referred to in the table above consist of advances to subsidiary which have been primarily effected out of the bond issue proceeds. Management monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The Company assesses the credit quality of the subsidiary taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with this entity and management does not expect any losses from non-performance or default. As at 31 December 2019, the application of the expected credit risk model of IFRS 9, resulted in the recognition of a loss allowance of €64,821 (2018: €64,821) on the loans receivable from subsidiary.

Other balances owed by subsidiary are included within the Company's trade and other receivables. Since these other balances owed by subsidiary are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 16 and 15 respectively). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The Group's liquidity risk is actively managed by ensuring that net cash inflows from the Group's trading operations are monitored in relation to cash outflows and arising from the Group's borrowings, principally bonds and bank loans, covering principle and interest payments as reflected in more detail in Note 16. Such note gives an analysis of the Group's borrowings into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and when applicable are inclusive of interest.

The key objective of the Group's liquidity management process is that of channelling a regular stream of net cash flows to fund bond and other interest and capital repayment obligations, and strengthening the Group's reserves with the residual amounts. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year. The Directors are of the opinion that the Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, expectations for future income streams from existing and new contracts, coupled with the Group's committed borrowing facilities that it can access to meet liquidity needs as disclosed further in Note 16.

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

2. Financial risk management - continued

2.2 Capital risk management

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

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the Directors.

2.3 Fair values of financial instruments

(a) Financial instruments carried at fair value

The Group is required to disclose for financial instruments that are measured in the statement of financial position at fair value, fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly i.e. as prices, or indirectly i.e. derived from prices (level 2).

- Inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (level 3).

The fair value of the Group's equity investments (refer to Note 9) is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price quoted on the Malta Stock Exchange. Accordingly, the Group's investments are categorised as level 1 instruments since these investments are listed in an active market. These assets have been categorised as level 1 since initial recognition.

2. Financial risk management - continued

(b) Financial instruments not carried at fair value

At 31 December 2019 and 2018, the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Company's non-current loans to subsidiary fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'. Information on the fair value of the bonds issued to the public is disclosed in Note 16 to the financial statements. The fair value estimate in this respect is deemed level 1 as it constitutes a quoted price in an active market.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Note 4 to the financial statements, the company's property, plant and equipment is fair valued on 31 December on the basis of professional advice, which considers the cash flows emanating from the operation of the property and other key inputs, namely the discount and growth rates.

4. Property, plant and equipment

Group

	Land and buildings €	Electrical installations €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Right-of-use assets €	Total €
At 1 January 2018						
Cost or valuation	41,544,060	1,191,525	4,954,615	2,034,466	-	49,724,666
Accumulated depreciation	(142,129)	(810,811)	(3,657,615)	(1,278,520)	-	(5,889,075)
Net book amount	41,401,931	380,714	1,297,000	755,946	-	43,835,591
Year ended 31 December 2018						
Opening net book amount	41,401,931	380,714	1,297,000	755,946	-	43,835,591
Additions	10,751	41,244	717,286	13,162	-	782,443
Revaluation surplus during the year (Note 12)	979,251	-	-	-	-	979,251
Depreciation charge	(196,018)	(46,629)	(237,608)	(72,048)		(552,303)
Closing net book amount	42,195,915	375,329	1,776,678	697,060	-	45,044,982
At 31 December 2018						
Cost or valuation	42,534,062	1,232,769	5,671,901	2,047,628	-	51,486,360
Accumulated depreciation	(338,147)	(857,440)	(3,895,223)	(1,350,568)	-	(6,441,378)
Net book amount	42,195,915	375,329	1,776,678	697,060	-	45,044,982
Year ended 31 December 2019						
Opening net book amount	42,195,915	375,329	1,776,678	697,060	-	45,044,982
Additions	-	17,743	284,391	40,644	27,966	370,744
Revaluation surplus during the year (Note 14)	2,755,192	-	-	-		2,755,192
Depreciation charge	(205,881)	(26,510)	(265,596)	(72,984)	(5,127)	(576,098)
Reclassifications to assets classified as held for sale (Note 11)	(13,052,853)	(52,990)	(378,107)	(16,050)	-	(13,500,000)
Closing net book amount	**31,692,373**	**313,572**	**1,417,366**	**648,670**	**22,839**	**34,094,820**
At 31 December 2019						
Cost or valuation	31,891,207	1,191,326	5,465,986	2,069,455	27,966	40,645,940
Accumulated depreciation	(198,834)	(877,754)	(4,048,620)	(1,420,785)	(5,127)	(6,551,120)
Net book amount	**31,692,373**	**313,572**	**1,417,366**	**648,670**	**22,839**	**34,094,820**

4. **Property, plant and equipment** - continued

Company

	Land and buildings €	Electrical installations €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Right-of-use assets €	Total €
At 1 January 2018						
Cost or valuation	31,880,456	1,149,393	4,665,673	2,020,629	-	39,716,151
Accumulated depreciation	-	(809,126)	(3,629,403)	(1,277,622)	-	(5,716,151)
Net book amount	31,880,456	340,267	1,036,270	743,007	-	34,000,000
Year ended 31 December 2018						
Opening net book amount	31,880,456	340,267	1,036,270	743,007	-	34,000,000
Additions	10,751	29,768	606,235	12,306	-	659,060
Depreciation charge	(99,382)	(44,485)	(199,029)	(71,182)	-	(414,078)
Closing net book amount	31,791,825	325,550	1,443,476	684,131	-	34,244,982
At 31 December 2018						
Cost or valuation	31,891,207	1,179,161	5,271,908	2,032,935	-	40,375,211
Accumulated depreciation	(99,382)	(853,611)	(3,828,432)	(1,348,804)	-	(6,130,229)
Net book amount	31,791,825	325,550	1,443,476	684,131	-	34,244,982
Year ended 31 December 2019						
Opening net book amount	31,791,825	325,550	1,443,476	684,131	-	34,244,982
Additions	-	12,165	194,078	36,520	27,966	270,729
Depreciation charge	(99,452)	(24,143)	(220,188)	(71,981)	(5,127)	(420,891)
Closing net book amount	**31,692,373**	**313,572**	**1,417,366**	**648,670**	**22,839**	**34,094,820**
At 31 December 2019						
Cost or valuation	31,891,207	1,191,326	5,465,986	2,069,455	27,966	40,645,940
Accumulated depreciation	(198,834)	(877,754)	(4,048,620)	(1,420,785)	(5,127)	(6,551,120)
Net book amount	**31,692,373**	**313,572**	**1,417,366**	**648,670**	**22,839**	**34,094,820**

Fully depreciated assets which were still in use at 31 December 2019 amounted to €3,608,458 (2018: €3,586,197).

Bank borrowings are secured on the Group's land and buildings (refer to Note 16).

4. Property, plant and equipment - continued

Fair value of land and buildings

As at 31 December 2019, the Group's property, plant and equipment just comprised the Plaza Shopping and Commercial Centre, which was revalued by an independent professionally qualified valuer on 31 December 2019 at €34 million (2018: €34 million). The Group's other property, the Tigne Place Commercial Property, has been reclassified from property, plant and equipment to assets classified as held for sale on 31 December 2019, in view of management's decision to dispose of this property, as announced by the Parent Company and evidenced by the preliminary agreement dated December 2019 – refer to Note 11. On the same date, the Tigne Place Commercial Property had just been revalued at €13.5 million, on the basis of the agreed consideration for the sale of the property less costs to sell. The arising revaluation surplus, net of applicable deferred taxes, had been credited to the revaluation reserve in shareholders' equity (Note 14).

The Directors are of the opinion that the carrying amounts of all the Group's properties as at the end of current financial period, is an appropriate estimate of their fair value (less costs to sell, where applicable) and that their current use equates to the highest and best use.

The Group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the current and the preceding financial years there were no transfers between the fair value levels. A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above.

Valuation process and techniques

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

Findings are discussed with the Audit Committee, and an adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change. Any changes to the carrying amount are ultimately approved by the Board.

4. Property, plant and equipment - continued

As noted above, an external valuation on all the Group's property has been carried out at the end of the current reporting period. The external valuations of each property have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer and management to be the most appropriate for the respective property. At 31 December 2019, the valuation of the Plaza Shopping and Commercial Centre was performed using the discounted cash flow approach, whilst the valuation of Tigne Place Commercial Property was based on the adjusted sales comparison approach. At 31 December 2018, all valuations were performed using the discounted cash flow approach. The change in the valuation technique for the Tigne Place Commercial Property was effected to attain a more representative measurement of fair value. The significant inputs to the approaches used, for each property, are those described below.

As at 31 December 2019, the Plaza Shopping and Commerial Centre was fair valued at €34 million (2018: €34 million) on the basis of an independent architect's valuation and the valuation was determined using the discounted cash flow approach. This approach is based on the projected future cash flows from the continued operation of the Plaza Shopping and Commercial Centre in its remaining useful life, which are discounted to present value at a rate of return that reflects what an investor should fairly expect from an investment of this type. At the end of the expected useful life of the property, the residual value reflects the underlying land value. Accordingly, the significant unobservable inputs applied in the property's valuation are the following:

- *Projected pre-tax cash flows:* The projected cash-flows are initially based on the existing rental income streams less operating costs that reflect the existing cost structure. The aggregated projected net cash generation in 2019 from the rentals relating to the retail activity and from the office rentals amounts to €1.9 million (2018: €2.2 million). Going forward, all the rental streams are adjusted to reflect contracted rental adjustments and assumed to increase at an average rate of 4% (2018: 4%) per annum.
- *Discount rates*: The discount rates applied are based on current market interest rates and a risk premium that reflects the valuer's assessment of the specific risk attached to the property being valued and its underlying activity. In view of the different risk premium between the rental agreements for the retail and office areas, a different pre-tax discount rate was applied to the respective income streams. Accordingly, the pre-tax discount rates applied are as follows: 8.5% (2018: 8%) for the retail rentals and 9% (2018: 8.5%) for the office rentals.

As at 31 December 2019, the Tigne Place Commercial Property is carried at a fair value of €13.5 million (2018: €10.8 million). The 2019 valuation was based on the adjusted sales comparison approach. The significant input to the adjusted sales comparison approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property. Such approach also considers the value expected to be fetched on the open market and represents the present value of the property. Ultimately, the 2019 valuation was arrived at on the basis of the agreed consideration for the sale of the property, as evidenced by the preliminary agreement, dated December 2019, less costs to sell.

4. Property, plant and equipment - continued

The prior year's valuation of Tigne Place Commercial Property was determined on the basis of an independent architect's valuation using the discounted cash flow approach. The significant unobservable inputs applied in the property's valuation were the following:

Projected pre-tax cash flows: The projected cash-flows were initially based on the existing rental income streams less management costs and the projected capital expenditure necessary to maintain the income streams. The projected net cash generation in 2018 from the property rentals amounted to €685,000. Going forward, all the rental streams were adjusted to reflect contracted rental adjustments and assumed to increase at an average rate of 4% per annum.

- *Discount rates*: The discount rates applied were based on current market interest rates and a risk premium that reflects the valuer's assessment of the specific risk attached to the property being valued and its underlying activity. The pre-tax discount rate applied was of 9% and a perpetuity yield of 7.6%.

Generally, an increase in the projected cash flows will result in an increase to the fair value of the property. Conversely, a lower discount rate will give a higher fair value. With respect to the adjusted sales comparison approach, the higher the sales price factor the higher the resultant fair valuation.

Historical cost of land and buildings

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

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cost	**12,652,498**	22,316,102	**12,652,498**	12,652,498
Accumulated depreciation	**(1,174,235)**	(1,330,853)	**(1,174,235)**	(1,092,088)
Net book amount	**11,478,263**	20,985,249	**11,478,263**	11,560,410

Leases

Group and Company

The Group's leasing activity as a lessee is only in respect of a motor vehicle lease. The rental contract is typically made for a fixed period of 5 years. The lease agreement does not impose any covenants. The leased asset may not be used as security for borrowing purposes. Any extension and termination options held are exercisable only by the Group and not by the lessor. These terms are used to maximise operational flexibility in respect of managing contracts.

In February 2019, the Group recognised lease liabilities amounting to €27,966 as a result of commencement of the respective motor vehicle lease. The liabilities were measured at the present value of the lease payments over the term of the lease, discounted using the lessee's relevant incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on commencement of the lease was 3.9%. The associated right-of-use assets for leases were measured at the amount equal to the lease liability.

The difference of €8,934 between the operating lease commitments disclosed as at 31 December 2018 of €36,900 and the recognised lease liabilities of €27,966 (as per above), arises solely from the discounting elements using the incremental borrowing rate at the date of initial recognition.

4. Property, plant and equipment - continued

(a) The statements of financial position include the following carrying amounts relating to leases:

	As at 31 December 2019
	€
Right-of-use assets, classified within Property, plant and equipment	
Motor vehicle	**22,839**
Lease liabilities	
Current	**4,850**
Non-current	**19,150**
	24,000

The movement in the carrying amount of the right-of-use assets is analysed in the principal table of the property, plant and equipment note, whilst the movement in the carrying amount of the liabilities is analysed in the table below:

	€
As at 1 January 2019	**-**
Additions	**27,966**
Payments	**(6,765)**
Interest charge	**2,799**
As at 31 December 2019	**24,000**

The contractual undiscounted cash flows attributable to the lease liabilities analysed into relevant maturity groupings based on the remaining term at the end of the reporting period to the maturity date are analysed below:

	Group and Company
	€
Within 1 year	**7,380**
Between 1 and 2 years	**7,380**
Between 2 and 5 years	**15,375**
31 December 2019	**30,135**

4. Property, plant and equipment - continued

(b) The income statements include the following amounts relating to leases:

	Group and Company Year ended 31 December 2019 €
Depreciation charge of right-of-use assets	
Motor vehicle	**5,127**
Interest expense (included in finance costs)	**2,799**

Operating lease charges utilising the accounting principles of IAS 17, 'Leases', that would have been reflected within profit or loss during the period from 1 January 2019 to 31 December 2019, had IFRS 16 not been adopted, would have amounted to €6,765 for both the Group and the Company, which amount is equivalent to the total cash outflow for leases in 2019. Hence, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year ended 31 December 2019 has been impacted favourably by these amounts in view of the adoption of the requirements of IFRS 16.

5. Intangible assets

Group and company

	Software application €
Year ended 31 December 2019	
Additions	18,500
Amortisation charge	(1,542)
Closing net book amount	**16,958**
At 31 December 2019	
Cost	18,500
Accumulated amortisation	(1,542)
Net book amount	**16,958**

6. Investment in subsidiary

	Company	
	2019	2018
	€	€
At 31 December		
Opening and closing cost and carrying amount	**100,000**	100,000

The company's investments consist of 100% of the ordinary shares of Tigne Place Limited, with its registered address at The Plaza Commercial Centre, Level 6, Bisazza Street, Sliema, SLM 1640, Malta.

7. Loans receivable

The loans receivable amounting to €5,303,970 (2018: €5,203,059) represent advances by the Parent Company to its subsidiary, primarily from the proceeds of the bond issue that was effected in 2016 (refer to Note 14). The loans to subsidiary are subject to a fixed interest rate of 4.2% per annum and are repayable by 2041, in accordance with the terms of the loan agreement.

The loans receivable are stated net of credit loss allowances for an amount of €64,821 (2018: €64,821).

8. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Trade receivables – gross	**302,553**	229,621	**264,292**	199,582
Less: Credit loss allowances	**(18,575)**	(10,585)	**(17,974)**	(9,984)
Trade receivables – net	**283,978**	219,036	**246,318**	189,598
Other receivables	**36,012**	343,000	**36,012**	343,000
Accrued income owed by subsidiary	**-**	-	**717,149**	535,817
Other accrued income	**93,975**	65,635	**93,975**	65,635
Advance payments to suppliers	**91,468**	-	**91,468**	-
Indirect taxation	**18,704**	22,330	**16,077**	22,330
Prepayments	**34,640**	21,038	**26,972**	14,675
	558,777	671,039	**1,227,971**	1,171,055

As at 31 December 2019, interest on overdue trade receivables is charged at the rate of 5% (2018: 5%).

Accrued income owed by subsidiary mainly represents the accrued interest on the loans receivable (refer to Note 7).

Other receivables as at 31 December 2019 relate to amounts due to the group and company in the ordinary course of business. As at 31 December 2018, the other receivables amounting to €343,000 represented funds deposited with the company's financial intermediary in advance of future equity investments, which deal was concluded in January 2019.

9. Financial assets at fair value through profit or loss

The Group's investments consist of equity instruments and are fair valued annually. These investments are traded on the Malta Stock Exchange and fair value is determined by reference to quoted market prices.

	Group and Company	
	2019	2018
	€	€
Year ended 31 December		
Opening carrying amount	**53,200**	56,000
Additions	**254,261**	-
Net gains/(losses) from changes in fair value (Note 21)	**35,967**	(2,800)
Closing carrying amount	**343,428**	53,200
At 31 December		
Cost	**294,261**	40,000
Fair value gains	**49,167**	13,200
	343,428	53,200

10. Cash and cash equivalents

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

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**330,757**	218,565	**302,518**	46,601

11. Assets classified as held for sale

	Group 2019 €	2018 €
Property classified as held for sale		
Reclassified from property, plant and equipment (Note 4)	**13,500,000**	-
Closing carrying amount	**13,500,000**	-

The reclassification to assets classified as held for sale from property, plant and equipment on 31 December 2019, arises in view of management's decision to dispose of the Tigne Place Commercial Property, after considering that the requirements as stipulated by IFRS 5, 'Non-current assets held for sale and discontinued operations' were fully met. In December 2019, as announced by the Parent Company, the subsidiary entered into a preliminary agreement to sell the said property. The preliminary agreement is subject to a number of conditions and at the date of authorisation for issue of these financial statements, the directors are of the opinion that such conditions will be met and the final deed of sale is to be concluded during 2020. The carrying amount of the property has been based on the agreed consideration for the sale of the property less costs to sell.

Disclosures required in terms of IFRS 13 in terms of fair value measurements attributable to property classified as held for sale are presented in Note 4.

12. Share capital

	Group and Company 2019 €	2018 €
Authorised		
75,000,000 ordinary shares of €0.20 each	**15,000,000**	15,000,000
Issued and fully paid		
28,242,000 ordinary shares of €0.20 each	**5,648,400**	5,648,400

13. Share premium

	Group and Company 2019 €	Group and Company 2018 €
At beginning and end of year	**3,094,868**	3,094,868

14. Revaluation reserve

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Surplus arising on fair valuation of:				
Land and buildings	**19,078,343**	16,169,315	**16,018,900**	16,022,391

The movements during the year are analysed as follows:

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Revaluation surplus on land and buildings				
At beginning of year, before deferred tax	**20,184,693**	19,222,747	**19,205,442**	19,222,747
Revaluation surplus arising during the year (Note 4)	**2,755,192**	979,251	**-**	-
Transfer upon realisation through asset use	**(17,305)**	(17,305)	**(17,305)**	(17,305)
At end of year, before deferred tax	**22,922,580**	20,184,693	**19,188,137**	19,205,442
Deferred taxation (Note 17)	**(3,844,237)**	(4,015,378)	**(3,169,237)**	(3,183,051)
At end of year	**19,078,343**	16,169,315	**16,018,900**	16,022,391

The tax impact relating to components of other comprehensive income is presented in the above table and in Note 17.

15. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Trade payables	**156,081**	174,313	**141,859**	134,270
Other payables	**607,359**	488,742	**395,109**	319,966
Indirect taxation	**-**	2,530	**-**	-
Accruals	**219,492**	228,762	**200,288**	211,662
Deferred income	**26,909**	199,530	**19,634**	25,684
	1,009,841	1,093,877	**756,890**	691,582
Non-current				
Deferred income	**107,274**	119,294	**107,274**	119,294

16. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Bank loans	**434,379**	422,671	**-**	-
Non-current				
85,000 3.9% unsecured bonds 2026	**8,371,663**	8,355,177	**8,371,663**	8,355,177
Bank loans	**2,739,240**	3,172,327	**-**	-
	11,110,903	11,527,504	**8,371,663**	8,355,177
Total borrowings	**11,545,282**	11,950,175	**8,371,663**	8,355,177

Unsecured bonds

By virtue of the Prospectus dated 11 August 2016, the Parent Company issued for subscription by the general public 85,000 unsecured bonds for an amount of €8,500,000. The bonds have a nominal value of €100 per bond and have been issued at par.

The bonds are subject to a fixed interest rate of 3.9% per annum payable annually in arrears on 19 September of each year. All bonds are redeemable at par (€100 for each bond) on 22 September 2026 unless they are previously re-purchased and cancelled.

The proceeds from the bond issue were used by the issuer to grant a loan to the subsidiary for the purpose of the acquisition of the Tigne Place Commercial Property (refer to Notes 4 and 6) and to refinance the issuer's own bank facilities.

16. Borrowings - continued

The bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2019 was €101.55 (2018: €101.55), which in the opinion of the Directors fairly represented the fair value of these financial liabilities.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest method as follows:

	Group and Company	
	2019	2018
	€	€
3.9% unsecured bonds 2026		
Original face value of bonds issued	**8,500,000**	8,500,000
Gross amount of bond issue costs	**(185,700)**	(185,700)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	**40,877**	24,760
Amortisation charge (Note 22)	**16,486**	16,117
Accumulated amortisation at the end of year	**57,363**	40,877
Unamortised bond issue costs	**(128,337)**	(144,823)
Amortised cost and closing carrying amount of the bonds	**8,371,663**	8,355,177

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

	Group and Company	
	2019	2018
	€	€
Within 1 year	**332,408**	331,500
Between 1 and 2 years	**331,500**	332,408
Between 2 and 5 years	**995,408**	994,500
Later than 5 years	**9,072,178**	9,404,586
	10,731,494	11,062,994

Bank facilities

The Group's loan facilities as at 31 December 2019 amounted to €3,173,619 (2018: €3,594,999). The Company also avails itself of a general facility amounting to €1,500,000 (2017: €1,500,000).

The bank facilities of the Group as at 31 December 2019 and 2018 are mainly secured by:
(a) a general hypothec on the Group's assets for €6,000,000;
(b) a special hypothec and guarantee for the amount of €6,000,000 over property; and
(c) a pledge over the insurance policy covering the specific property.

16. **Borrowings** - continued

Bank borrowings are entirely subject to variable rates of interest linked to the Euribor. The weighted average effective interest rates for bank borrowings at the end of the reporting period are as follows:

	Group	
	2019	2018
	%	%
Bank loans	**2.75**	2.75

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

	Group	
	2019	2018
	€	€
Within 1 year	**517,200**	517,200
Between 1 and 2 years	**517,200**	517,200
Between 2 and 5 years	**1,551,600**	1,551,600
Later than 5 years	**896,371**	1,413,571
	3,482,371	3,999,571
Carrying amount	**3,173,619**	3,594,998

17. **Deferred taxation**

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2017: 35%), with the exception of deferred tax on the fair valuation of property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 5% - 10% (2018: 8% - 10%) of the transfer value.

17. Deferred taxation - continued

The movement on the deferred tax account is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
At beginning of year	**4,381,119**	3,528,884	**3,549,002**	3,528,884
Deferred tax on revaluation surplus arising during the year (Note 14)	**137,760**	832,327	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals (Note 14)	**(302,844)**	1,063	**(7,757)**	1,063
Realisation through asset use (Notes 14 and 24)	**(6,057)**	(6,057)	**(6,057)**	(6,057)
Deferred tax on other temporary differences (Note 24)	**(1,765)**	24,902	**(1,765)**	25,112
At end of year	**4,208,213**	4,381,119	**3,533,423**	3,549,002

The amounts referenced to Note 24 as disclosed in the table above, are recognised in profit or loss, whilst the other amounts, referenced to Note 14, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Temporary differences on fair valuation of property	**3,844,237**	4,015,378	**3,169,237**	3,183,051
Temporary differences arising on depreciation of property, plant and equipment	**411,754**	416,320	**411,754**	416,320
Temporary differences attributable to deferred premium income	**(41,753)**	(46,875)	**(41,753)**	(46,875)
Other temporary differences	**(6,025)**	(3,704)	**(5,815)**	(3,494)
At end of year	**4,208,213**	4,381,119	**3,533,423**	3,549,002

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

18. Revenue

The Group's revenue is principally derived from rental income attributable to retail outlets and office space in its commercial property.

19. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Employee benefit expense (Note 20)	**262,821**	228,272	**262,378**	226,677
Depreciation of property, plant and equipment (Note 4) and amortisation of intangible assets (Note 5)	**577,640**	552,303	**422,433**	414,078
Motor vehicle operating lease rentals payable	**-**	625	**-**	625
Directors' emoluments (Note 25)	**126,840**	90,319	**126,840**	90,319
Legal and professional fees	**47,357**	30,338	**42,105**	22,203
Movement in credit loss allowances in respect of trade receivables	**7,990**	10,585	**7,990**	9,984
Other expenses	**241,101**	283,365	**207,830**	299,022
Total operating costs	**1,263,749**	1,237,807	**1,069,576**	1,062,908

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Annual statutory audit	**29,700**	28,950	**21,450**	20,950
Other assurance services	**2,000**	500	**2,000**	500
Tax advisory and compliance services	**3,265**	9,819	**670**	5,409
Other non-audit services	**-**	2,400	**-**	2,400
	34,965	41,669	**24,120**	29,259

20. Employee benefit expense

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Wages and salaries, excluding Directors' fees	**405,973**	379,664	**385,591**	359,860
Social security costs	**26,080**	25,154	**24,443**	23,439
	432,053	404,818	**410,034**	383,299
Less: recharges relating to common area maintenance	**(169,232)**	(176,546)	**(147,656)**	(156,622)
	262,821	228,272	**262,378**	226,677

20. Employee benefit expense - continued

Average number of persons employed during the year:

	Group		Company	
	2019	2018	**2019**	2018
Administration (excluding Directors)	**8**	6	**8**	6
Maintenance	**8**	9	**6**	7
Security	**1**	1	**1**	1
	17	16	**15**	14

21. Investment and other related income

	Group and Company	
	2019	2018
	€	€
Gross dividends from equity investments	**2,735**	2,422
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**35,967**	(2,800)
	38,702	(378)

22. Finance income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest income on trade receivables	**3,741**	3,543	**3,741**	3,543
Interest income from loans to subsidiary	**-**	-	**223,332**	220,977
	3,741	3,543	**227,073**	224,520

23. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest on bank borrowings	**107,350**	116,600	**5,596**	3,927
Bonds interest expense	**347,986**	347,617	**347,986**	347,617
Lease interest expense	**2,799**	-	**2,799**	-
	458,135	464,217	**356,381**	351,544

24. Tax expense

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current taxation:				
Current tax expense	**515,071**	457,356	**408,252**	377,534
Under provision of current tax in prior periods	**5,581**	-	**5,581**	-
Deferred taxation (Note 17)	**(7,822)**	18,845	**(7,822)**	19,055
	512,830	476,201	**406,011**	396,589

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit before tax	**1,870,991**	1,571,550	**1,643,089**	1,419,959
Tax on profit at 35%	**654,847**	550,043	**575,081**	496,986
Tax effect of:				
- rental income charged at 15% final withholding tax	**(166,829)**	(119,452)	**(166,829)**	(119,452)
- non-deductible depreciation and expenses	**82,294**	75,705	**-**	-
- maintenance allowance claimed on rented property	**(55,241)**	(49,150)	**-**	-
- movements in temporary differences	**(7,822)**	19,055	**(7,822)**	19,055
- under provision of tax in previous years	**5,581**	-	**5,581**	-
Tax charge in the accounts	**512,830**	476,201	**406,011**	396,589

25. Directors' emoluments

	Group and Company	
	2019	2018
	€	€
Directors' fees - short term employment benefits	**126,840**	90,319

Included in the fees disclosed above, is an amount of €18,300 (2018: €18,300) that was recharged by a shareholder of the Parent Company.

The Company has paid insurance premiums of €2,770 (2018: €2,770) during the year in respect of professional indemnity in favour of its Directors and senior officers.

During 2019, the Directors were also entitled to a variable remuneration amounting to €54,140 (2018: Nil), which amount is included in the table above.

26. 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. The diluted earnings per share is equal to the basic earnings per share.

	Group	
	2019	2018
Net profit attributable to shareholders	**€1,358,161**	€1,095,349
Weighted average number of ordinary shares in issue	**28,242,000**	28,242,000
Earnings per share (€ cents)	**4c81**	3c88

27. Dividends

At the forthcoming Annual General Meeting a final net dividend in respect of 2019 of €320,000 per share, amounting to a total net dividend of €0.0113 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 2020. The net dividends declared in respect of 2018 and 2017 were €831,115 (€0.0294 per share).

28. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit	**2,286,683**	2,032,602	**1,733,695**	1,547,361
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**576,098**	552,303	**420,891**	414,078
Amortisation of intangible assets (Note 5)	**1,542**	-	**1,542**	-
Deferred premium income	**(14,636)**	(24,491)	**(14,636)**	(24,491)
Movement in credit loss allowances in respect of trade receivables	**7,990**	10,585	**7,990**	9,984
Changes in working capital:				
Trade and other receivables	**(147,260)**	(69,493)	**(93,106)**	(101,299)
Trade and other payables	**(81,420)**	28,009	**67,924**	(56,530)
Cash generated from operations	**2,628,997**	2,529,515	**2,124,300**	1,789,103

Net debt reconciliation

Other than as disclosed in Note 16 'Borrowings', with respect to the amortisation of bond issue costs, the principal movements in the group's and the company's net debt related to cash flow movements are disclosed as part of the financing activities in the statements of cash flows.

29. Capital commitments

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Authorised but not contracted	**500,000**	552,000	**500,000**	425,000
Contracted but not provided for	**109,000**	16,500	**109,000**	-
	609,900	568,500	**609,000**	425,000

30. Operating lease commitments

(a) Where Group undertakings are the lessor

Future minimum lease payments due to the Group 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.

Group undertakings lease units both for office and retail activity under operating lease arrangements. As at 31 December 2019, the leases run for fixed periods ranging from 6 months to 4 years. After ever expiry period, the lease may be renewed for further periods, in accordance with the respective lease agreements, unless the lessee gives the lessor a minimum of 6 months notice of termination prior to renewal, as specified in the same agreement.

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Not later than 1 year	**2,264,384**	2,719,075	**1,885,612**	2,269,330
Later than 1 year and not later than 5 years	**791,528**	1,837,847	**791,528**	1,766,770
	3,055,912	4,556,922	**2,677,140**	4,036,100
Rental income derived from operating leases	**3,491,504**	3,213,385	**2,703,892**	2,511,245

(b) Where a group undertaking is the lessee

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

	Group and Company	
	2019	2018
	€	€
Not later than 1 year	**-**	6,765
Later than 1 year and not later than 5 years	**-**	30,135
	-	36,900

During 2019, the Group has recognised right-of-use assets for leases in accordance with the requirements of IFRS 16 (refer to Note 4).

31. Related party transactions

No transactions with related parties as defined by IAS 24 were carried out by the Group during the current and the preceding financial years, other than those disclosed in Note 25.

With respect to the Company, the other material transactions entered into with a related party during the current and the preceding financial years, as defined by IAS 24, relate to the following:
- advances to subsidiary, as disclosed in Note 7;
- interest income from the loans receivable, as disclosed in Note 22; and
- management fees charged to subsidiary amounting €42,000 (2018: €42,000).

Year end balances with subsidiary are disclosed separately in Notes 7 and 8 to the financial statements.

Key management personnel comprise the directors of the parent company. Key management personnel compensation, consisting of Directors' remuneration is disclosed in Note 25 to these financial statements.

32. Events after the reporting date

The recent global and local developments stemming from the coronavirus pandemic ushered in a completely different financial and economic scenario to the one envisaged a few weeks, or months ago, where the Board was confident that the Group could at least confirm the same operating income levels achieved in 2019. The directors consider the consequence of the emergence and spread of COVID-19 in 2020 to be a non-adjusting post balance sheet event.

The current level of uncertainty affects every person and every business operation. In this environment, making financial predictions becomes extremely difficult, particularly in view of the uncertainty surrounding the duration of restrictions imposed on business as a measure to prevent the spread of the COVID-19 virus. Retail operations are one of the hardest hit sectors of the economy. At the date that the financial statements have been authorised for issue, the shopping Mall is closed in line with the local Health Authorities' directives. The impact of this closure is to a limited extent absorbed by the Group's strategy in recent years, to move towards a mix of revenue streams between commercial and retail leases, increasing the contribution of the former, to the overall revenue. The overall impact of the closure will however remain important from an operational income perspective.

Given the prevailing economic uncertainty, management has prepared projections assuming different scenarios to assess the anticipated impact on the Group's projected financial results and cash flows. These projections assume reduced revenue levels under different scenarios that centre around the period within which operations are likely to go back to normal. These projections also take into account the various measures that are being implemented by the Group and the use of banking facilities that the Group can avail itself of. Although the operation's performance will be materially negatively impacted, the Group is adequately capitalised and sufficiently liquid to meet its financial obligations under all the various scenarios being looked at.

In the context of these uncertainties, the need to retain a high level of resilience and liquidity, and in managing the Group's cash resources prudently, the board will be recommending a reduced dividend to shareholders when compared to prior years.

The financial performance and cashflows emanating from the scenarios described above, demonstrate that the use of the going concern assumption remains appropriate. Furthermore, based on the projected cash flows assumed in these scenarios, the likely impact on the property valuation is not considered to be significant.

32. Events after the reporting date - continued

The Board continues to monitor the situation very closely and will take any actions it deems to be appropriate depending on the unfolding scenario. The Board believes that this scenario of heightened uncertainty requires the Company to be more prudent than ever, in order maintain the financial muscle to implement the necessary mitigating measures. The Board is confident that with the strong Group's financial fundamentals together with prudent and timely measures, it can withstand these unprecedented headwinds and be in a position to continue to create value for its stakeholders as soon as, the world and the country, start moving back to a more normal way of life.

33. Statutory information

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