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Verdala Finance p.l.c.

C 27586

Report and financial statements

31st October, 2005

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Verdala Finance p.l.c.

Directors, officers and other information

<i>Directors:</i>	Joseph Vella Bonnici Michael Warrington Angelo Xuereb
<i>Secretary:</i>	Tonio Farrugia
<i>Registered office:</i>	AX House, Mosta Road, Lija, Malta.
<i>Company registration number:</i>	C 27586
<i>Auditors:</i>	Deloitte & Touche, 1, Col. Savona Street, Sliema, Malta.
<i>Bankers:</i>	Bank of Valletta p.l.c., Labour Avenue, Naxxar, Malta.
<i>Legal adviser:</i>	Dr. Patrick J. Galea, LL.D., 55/1, Old Theatre Street, Valletta, Malta.

Verdala Finance p.l.c.

Directors' report

Year ended 31st October, 2005

The directors present their report and the audited financial statements of the company for the year ended 31st October, 2005.

Principal activities

The company was formed principally to act as a finance and investment company, in particular the financing or re-financing of the funding requirements of related companies.

Performance review

During the year the company redeemed the entire notes it had issued through the repayment of an equivalent amount due from group undertakings. The company reported a loss for the year of *Lm1,235*. Net assets have decreased by the loss for the year and net assets at the balance sheet date amounted to *Lm190,963*.

As a result of the repayment of *Lm1,300,000* from the loan to a related party, the secured notes have been redeemed in full by *Lm1,300,000*.

Result and dividend

The result for the year ended 31st October, 2005 is shown in the profit and loss account on page five. The loss for the year was *Lm1,235*. The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period were:

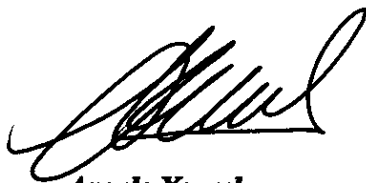
Joseph Vella Bonnici
Michael Warrington
Angelo Xuereb

In accordance with the company's articles of association the directors are to continue in office.

Auditors

A resolution to re-appoint Deloitte & Touche as auditors of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 8th March, 2006 by:



Angelo Xuereb
Director



Michael Warrington
Director

Verdala Finance p.l.c.

Statement of directors' responsibilities

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of its loss for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report to the members of

Verdala Finance p.l.c.

We have audited the financial statements of Verdala Finance p.l.c. on pages five to twelve for the year ended 31st October, 2005. As described in the statement of directors' responsibilities on page three, these financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31st October, 2005 and of its loss, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1995.



Stephen Paris

DELOITTE & TOUCHE
Certified Public Accountants

8th March, 2006

Verdala Finance p.l.c.

Profit and loss account

Year ended 31st October, 2005

	<i>Note</i>	2005 Lm	2004 Lm
Administrative expenses		(12,438)	(19,022)
Operating loss		(12,438)	(19,022)
Interest receivable and similar income	3	87,187	208,642
Interest payable and similar charges	4	(75,947)	(202,207)
Loss before taxation	5	(1,198)	(12,587)
Taxation	6	(37)	-
Loss for the year		(1,235)	(12,587)

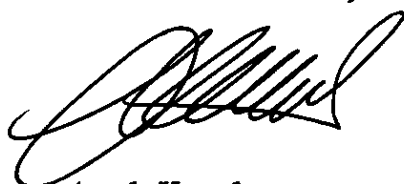
Verdala Finance p.l.c.

Balance sheet

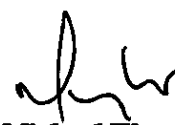
31st October, 2005

	Note	2005 Lm	2004 Lm
Fixed assets			
Financial assets	7	<u>178,384</u>	<u>1,713,933</u>
Current assets			
Debtors	8	13,318	7,830
Cash at bank		1	435
		<u>13,319</u>	<u>8,265</u>
Creditors: amounts falling due within one year			
Creditors and borrowings	9	<u>(740)</u>	<u>(219,100)</u>
Net current assets/(liabilities)		<u>12,579</u>	<u>(210,835)</u>
Total assets less current liabilities		190,963	1,503,098
Creditors: amounts falling due after more than one year			
Interest bearing borrowings	10	-	(1,310,900)
		<u>190,963</u>	<u>192,198</u>
Capital and reserves			
Called up issued share capital	11	200,000	200,000
Profit and loss account		(9,037)	(7,802)
		<u>190,963</u>	<u>192,198</u>

These financial statements were approved by the board of directors, authorised for issue on 8th March, 2006 and signed on its behalf by:



Angelo Xuereb
Director



Michael Warrington
Director

Verdala Finance p.l.c.

Statement of changes in equity

Year ended 31st October, 2005

	Share capital Lm	Profit and loss account Lm	Total Lm
Balance at 31st October, 2003	200,000	4,785	204,785
Loss for the year	-	(12,587)	(12,587)
Balance at 31st October, 2004	200,000	(7,802)	192,198
Loss for the year	-	(1,235)	(1,235)
Balance at 31st October, 2005	200,000	(9,037)	190,963

Verdala Finance p.l.c.

Cash flow statement

Year ended 31st October, 2005

	<i>Note</i>	2005 Lm	2004 Lm
Cash flows from operating activities			
Loss on ordinary activities before tax		(1,198)	(12,587)
<i>Adjustments for:</i>			
Interest payable		75,947	202,207
Interest receivable		(87,187)	(208,642)
		<hr/>	<hr/>
Operating loss before working capital movement		(12,438)	(19,022)
Movement in debtors		(5,488)	2,106
Movement in creditors		(118,397)	(46,032)
		<hr/>	<hr/>
Cash flows from operations		(136,323)	(62,948)
Interest paid		(75,947)	(202,207)
Interest received		87,187	208,642
		<hr/>	<hr/>
Net cash flows from operating activities		(125,083)	(56,513)
		<hr/>	<hr/>
Cash flows from investing activities			
Advances from related parties		1,535,549	926,941
		<hr/>	<hr/>
Cash flows from financing activities			
Redemption of notes		(1,310,900)	(990,100)
		<hr/>	<hr/>
Net movement in cash and cash equivalents		99,566	(119,672)
Cash and cash equivalents at the beginning of the year		(99,565)	20,107
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	12	1	(99,565)
		<hr/> <hr/>	<hr/> <hr/>

Verdala Finance p.l.c.

Notes to the financial statements

31st October, 2005

1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The principal important accounting policies are set out below.

2. Principal accounting policies

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company has become party to the contractual provisions of the instrument.

(i) Financial assets and investments

Financial assets and investments are initially measured at cost. At subsequent reporting dates, loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those which are not intended for immediate or short-term sale, are measured at cost.

(ii) Trade creditors

Trade creditors are stated at their nominal value.

Revenue recognition

(i) Interest receivable

Interest is recognised on an accrual basis.

(ii) Fees for administrative services

Fees for administrative services are recognised in the period when the service is completed.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand less bank advances repayable within three months of the date of the advance.

Verdala Finance p.l.c.

Notes to the financial statements

31st October, 2005

3. Interest receivable and similar income

	2005 Lm	2004 Lm
On financial assets	87,141	208,095
On funds held with trustee	46	547
	<u>87,187</u>	<u>208,642</u>

4. Interest payable and similar charges

	2005 Lm	2004 Lm
<i>This is charged on:</i>		
Bank overdraft	1,632	-
Notes issued	64,609	179,740
Redemption of notes	9,706	22,467
	<u>75,947</u>	<u>202,207</u>

5. Loss on ordinary activities before taxation

	2005 Lm	2004 Lm
<i>This is stated after charging:</i>		
Auditors' remuneration	650	650
	<u>650</u>	<u>650</u>

6. Tax on profit on ordinary activities

The tax charge for the year consists of consideration for group loss relief claimed from a group company.

Tax applying the statutory domestic income tax rate and the tax charge for the year are reconciled as follows:

	2005 Lm	2004 Lm
Loss on ordinary activities before tax	(1,198)	(12,587)
Tax at the applicable rate of 35%	(420)	(4,405)
<i>Tax effect of:</i>		
Disallowable expenses	457	4,405
Tax charge for the year	<u>37</u>	<u></u>

Verdala Finance p.l.c.

Notes to the financial statements

31st October, 2005

7. Financial assets

These are stated at cost and comprise:

Originated loans

	At 01.11.04 Lm	Disposals Lm	At 31.10.05 Lm
Loans to group undertakings	1,713,933	(1,535,549)	178,384

The loans to group undertakings relate to an amount owed to the guarantor of the notes, which has been paid in full during the year under review. The remaining balance is unsecured, bears interest at the rate of 8% per annum and has no fixed date for repayment.

8. Debtors

	2005 Lm	2004 Lm
Prepayments and accrued income	-	7,830
Amounts owed by group companies	13,318	-
	13,318	7,830

9. Creditors and borrowings

	2005 Lm	2004 Lm
Bank overdraft	-	100,000
Amounts owed by shareholder	-	13,648
Trade creditors	53	800
Amounts owed to group undertakings	37	-
Accruals	650	104,654
	740	219,100

10. Creditors: amounts falling due after more than one year

	2005 Lm	2004 Lm
<i>Amounts repayable within five years:</i>		
8% secured notes redeemable at par between 11th April 2004 and 11th April 2006	-	1,310,900

During the year the company redeemed the secured notes in full.

Verdala Finance p.l.c.

Notes to the financial statements

31st October, 2005

11. Share capital

	2005 and 2004	
	Authorised Lm	Issued and called up Lm
<i>Equity shares:</i>		
200,000 ordinary shares of Lm1 each (all of which have been issued and called up)	<u>200,000</u>	<u>200,000</u>

12. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2005 Lm	2004 Lm
Funds held with trustee	1	435
Bank overdraft	-	(100,000)
Net balance	<u>1</u>	<u>(99,565)</u>

13. Related party transactions

A related party exists where one party has the ability to control or exercise significant influence over another party in making financial and operating decisions. During the course of the year the company entered into transactions with Verdala Mansions Limited which is related through common shareholders and directors:

	2005			2004		
	Related party activity Lm	Total activity Lm	%	Related party activity Lm	Total activity Lm	%
Income	-	-	-	18,646	18,646	100
Interest receivable	<u>87,141</u>	<u>87,187</u>	<u>100</u>	<u>213,249</u>	<u>208,642</u>	<u>102</u>

14. Ultimate holding company

The company's ultimate parent company is Fulcrum Services Limited the registered office of which is AX House, Mosta Road, Lija, Malta. The individual financial statements of the company are included with the group financial statements of Fulcrum Services Limited, the ultimate holding company.