

**Central Business Centres plc**

**Condensed Interim Financial Statements**  
for the period 1 January 2018 to 30 June 2018

Company Registration Number: C 65702

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## **Interim Directors' report**

This interim report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by Central Business Centres plc (the 'Company') in its published annual report for the year ended 31 December 2017. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2018, as approved by the Board of Directors on 10 August 2018 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

### **Principal activities**

The principal activity of the Company is to act as a finance, investment and property-holding company for lease to third parties.

### **Review of the business**

During the period under review, the Company leased offices in the Zebbug Business Centre and Gudja Business Centre to third parties. As at 30 June 2018, the Gudja Business Centre had 86% occupancy rate whilst the Zebbug Business Centre was fully occupied by tenants.

During 2017, the company purchased a large tract of land located in Zebbug from a related entity, with the intention of developing it into a business premises. The premises comprises a combination of uses, ranging from storage, retail and office space.

The current period profit of €25,905 is partially attributable to finance costs of €85,330 which have been expensed during the period and which relate to the apportionment of interest on the Bonds in issue to the Zebbug and Gudja Business Centres.

The Company's financial position at 30 June 2018 is set out on page 5. During the first six months of 2018, costs relating to the continuing development of the St Julian's Business Centre and restoration of the adjoining Villa Fieres were capitalised within Investment Property. Management involvement in monitoring of development of this site remains very close to ensure that costs are kept under scrutiny and for the property to align to the high end specifications of Business Centres developed by the Company.

The St. Julian's Business Centre is in an advanced stage of completion and the Company envisages to arrive at full completion of the project, including occupancy of tenants by the end of 2018. All interest costs for the Bonds in issue will thereafter be accounted for in the income statement. Projections prepared by management indicate that rental income from the St Julian's Business Centre will adequately cover the interest allocated to this property given that demand from prospective tenants is very positive.

The directors have assessed that the carrying value of investment property as at 30 June 2018 is reasonable and not subject to indications of impairment. In the event that general economic conditions and property market conditions experience a downturn, this may have an adverse impact on the fair value of the Company's Investment Property. The directors have no intention of disposing of this property in the foreseeable future.

The main liability in the statement of financial position relates to the €12 million Bonds in issue and a deferred tax liability on the revalued property amount.

## **Interim Directors' report** - continued

### **Results and dividends**

The financial results are set out in the statement of comprehensive income on page 6. The directors do not propose the payment of dividends.

### **Directors**

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

Mr. Joseph Cortis - Chairman

Mr. Alfred Sladden

Mr. Anthony Cortis - resigned on 13 April 2018

Mr. Francis Gouder - resigned on 13 April 2018

Dr. Petramay Attard Cortis - appointed on 18 April 2018

Chev. Raymond Cortis - appointed on 18 April 2018

Mr Joseph Formosa - appointed on 18 April 2018

The Company's Articles of Association require directors to seek re-election on a yearly basis.

### **Going concern statement pursuant to Listing Rule 5.62**

After making enquiries and having taken into consideration the future plans of the Company, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopt the going concern basis in the preparation of the financial statements.

### **Principal risks and uncertainties faced by the Company**

*The company is subject to market and economic conditions generally*

The company is subject to general market and economic risks which include factors such as health of the local property market, inflation prices for the rental of commercial properties and other economic and social factors affecting demand for real estate generally. In the event that general economic conditions and property market conditions experience a downturn this may have an adverse impact on the financial conditions of the company and its ability to meet its obligations set-out within the Bond Prospectus.

*Risks associated with the property market*

Risks associated with the property development and real estate industry generally include, but are not limited to, risks of cost over-runs and risks of delay in completion of the St. Julian's Central Business Centre. In the event that these risks were to materialise, they could have a significant impact on the financial position of the Company.

*The property market is a very competitive market that can influence the lease of space*

The real estate market in Malta is very competitive in nature. An increase in supply and/or decrease in demand in the commercial property segment in which the company operates and targets to lease, may cause the lease of such spaces to be leased at lower lease contributions or at a slower pace than that originally anticipated by the company. If these risks were to materialise, they could have a material adverse impact on the ability of the company to repay the Bond and interest.

## **Interim Directors' report** - continued

### **Share capital structure**

The Company's authorised and issued share capital amounts to €250,000 divided into 250,000 Ordinary shares of €1 each. The share capital consists of one class of ordinary shares with equal voting rights attached. No restrictions apply to the transfer of shares.

### **Holding in Excess of 5% of the Share Capital**

On the basis of the information available to the Company as at 30 June 2018, Anthony Cortis, Francis Cortis, Philip Cortis, Joseph Cortis, Raymond Cortis and Paul Cortis each held 41,666 shares respectively, equivalent to 99% of the Company's issued share capital.

Shareholders holding in aggregate more than 50% of the issued share capital, shall be entitled to appoint the directors. Other limitations of the voting rights of holders are contained in the Company's Articles of Association, Clause 55.

### **Appointment and Replacement of Directors**

Board members are appointed for one year and are eligible for re-appointment at the Annual General Meeting.

### **Board Member Powers**

The powers of the Board members are contained in Article 54-69 of the Company's Articles of Association.

The Articles of Association grant the Company the power to buy back its own shares in terms of the Maltese Companies Act (Cap. 386).

### **Contracts with Board Members and Employees**

The Company has no contract with any of its Board members that include a severance payment clause. The Company had no employees during the period ended 30 June 2018.

No disclosures are being made pursuant to listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 as these are not applicable to the Company.

On behalf of the board

  
Mr. Joseph Cortis  
CEO and Chairman

  
Mr. Alfred Sladden  
Director

Registered office  
Cortis Buildings  
Mdina Road  
Zebbug  
Malta

10 August 2018

### Directors' Statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

- The condensed interim financial statements give a true and fair view of the financial position of the company as at 30 June 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34, 'Interim Financial Reporting'); and
- The Interim Directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

On behalf of the board



Mr. Joseph Cortis  
Director

10 August 2018



Mr. Alfred Sladden  
Director


## Condensed interim statement of financial position

	As at 30 June 2018 €	As at 31 December 2017 €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	27,989,726	27,369,343
<b>Current assets</b>		
Trade and other receivables	114,910	111,577
Current tax assets	12,529	12,529
Cash and cash equivalents	771,570	1,073,743
Total current assets	899,009	1,197,849
<b>Total assets</b>	<b>28,888,735</b>	<b>28,567,192</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	250,000	250,000
Capital reserve	15,850,000	15,850,000
Revaluation reserve	596,162	596,162
Accumulated losses	(744,018)	(769,923)
Total equity	15,952,144	15,926,239
<b>Non-current liabilities</b>		
Borrowings	11,772,360	11,761,513
Deferred tax liabilities	739,802	739,802
Total non-current liabilities	12,512,162	12,501,315
<b>Current liabilities</b>		
Trade and other payables	424,429	139,638
Total liabilities	12,936,591	12,640,953
<b>Total equity and liabilities</b>	<b>28,888,735</b>	<b>28,567,192</b>

The notes on pages 9 to 12 are an integral part of these financial statements.

The condensed interim financial information on pages 5 to 12 were authorised for issue by the board of directors on 10 August 2018 and were signed on its behalf by:

  
Mr. Joseph Cortis  
Director

  
Mr. Alfred Sladden  
Director

**Condensed interim statement of comprehensive income**

	Period from 1 January to 30 June 2018	Period from 1 January to 30 June 2017
	€	€
Revenue	215,237	131,189
Administrative expenses	(104,002)	(52,016)
<b>Operating profit</b>	<b>111,235</b>	<b>79,173</b>
Finance costs	(307,903)	(164,064)
Finance costs capitalised within investment property	222,573	84,819
Net finance costs expensed	(85,330)	(79,245)
<b>Profit/(loss) for the period</b>	<b>25,905</b>	<b>(72)</b>
Earnings per share	0.10	0.00

The notes on pages 9 to 12 are an integral part of these financial statements.



**Condensed interim statement of changes in equity**

	Share capital €	Capital reserve €	Revaluation reserve €	Accumulated losses €	Total €
Balance at 1 January 2017	250,000	10,050,000	-	(30,019)	10,269,981
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(72)	(72)
<b>Total comprehensive income</b>	-	-	-	(72)	(72)
<b>Balance at 30 June 2017</b>	<b>250,000</b>	<b>10,050,000</b>	<b>-</b>	<b>(30,091)</b>	<b>10,269,909</b>
Balance at 1 January 2018	250,000	15,850,000	596,162	(769,923)	15,926,239
<b>Comprehensive income</b>					
Profit for the period	-	-	-	25,905	25,905
<b>Total comprehensive income</b>	-	-	-	25,905	25,905
<b>Balance at 30 June 2018</b>	<b>250,000</b>	<b>15,850,000</b>	<b>596,162</b>	<b>(744,018)</b>	<b>15,952,144</b>

The notes on pages 9 to 12 are an integral part of these financial statements.

**Condensed interim statement of cash flows**

	<b>Period from 1 January to 30 June 2018</b>	<b>Period from 1 January to 30 June 2017</b>
	<b>€</b>	<b>€</b>
Net cash generated from/(used in) operating activities	<b>95,637</b>	<b>(53,230)</b>
Net cash used in investing activities	<b>(397,810)</b>	<b>(425,436)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(302,173)</b>	<b>(478,666)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,073,743</b>	<b>1,247,181</b>
<b>Cash and cash equivalents at end of the period</b>	<b>771,570</b>	<b>768,515</b>

The notes on pages 9 to 12 are an integral part of these financial statements.

## Notes to the condensed interim financial statements

### 1. General information

Central Business Centres p.l.c. is a public limited liability company domiciled and incorporated in Malta with its principal activity being to act as a finance, investment and property-holding company for lease to third parties, in Malta.

The financial statements for the year ended 31 December 2017 are available upon request from the company's registered office at Cortis Buildings, Mdina Road, Zebbug ZBG 4211, Malta.

These condensed interim financial statements were approved for issue by the Board of Directors on 10 August 2018.

### 2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

#### *Assessment of going concern assumption*

The directors have a reasonable expectation, at the time of approving the condensed interim financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in the preparation of the condensed interim financial statements.

### 3. Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those financial statements.

#### *Standards, interpretations and amendments to published standards effective in 2018*

During 2018, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2018.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed interim financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2018. The Company 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, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

## Notes to the condensed interim financial information - continued

### 3. Summary of significant accounting policies - continued

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

#### IFRS 16, 'Leases'

Under IFRS 16, 'Leases', 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 a consideration. IFRS 16 required lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019. The Company is yet to assess IFRS 16's full impact.

### 4. Financial risk management

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2017.

### 5. 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, except for:

#### *Valuation of investment property*

The Company reviews the valuation of the investment property on an annual basis. In 2017, management determined the fair value of the investment property by referring to the valuation reports prepared by third party qualified valuers. The Company adjusted the book value to its revalued amount and recognised the resultant surplus in the income statement. This will be reassessed for the financial year ended 31 December 2018.

### 6. Segment information

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 board of directors, responsible for making strategic decisions. The Board of Directors considers the Company to be made up of one segment, that is, raising financial resources from capital markets to finance the capital projects of the Company. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from the leasing of immovable property.

### 7. Capital commitments

As at 30 June 2018, the Company entered into capital commitments amounting to €255,000 (2017: €510,000).

**Notes to the condensed interim financial information** - continued

**8. Earnings per share**

Earnings per share is calculated by dividing the result attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>30 June 2018</b>	30 June 2017
	€	€
Earnings per share	<b>0.10</b>	0.00

**9. Related party transactions**

The companies forming part of the SMW Cortis Limited Group are considered by the directors to be related parties as these companies are ultimately owned by the Cortis Family.

The following transactions were carried out with related parties:

	<b>30 June 2018</b>	30 June 2017
	€	€
Improvements to investment property	<b>(65,482)</b>	(18,183)
Administration and management fees paid	<b>(34,119)</b>	(25,334)
Rental income received	<b>50,000</b>	-

The transactions with related parties are interest free and repayable on demand.

The CEO was paid fees amounting to €15,000 for the period 1 January to 30 June 2018 (2017: €15,000) and other directors were paid fees amounting to €5,000 for the period 1 January to 30 June 2018 (2017: €4,000).

**10. Interest bearing borrowings**

On 5 December 2014, the Company issued a Prospectus for the issue of a 6,000,000 Bond having a nominal value of €1 each. The Bond was issued in two tranches of €3,000,000 each. The first tranche was issued on 22 December 2014, and was fully subscribed, while the second tranche was issued on 24 December 2015, and was also fully subscribed. The Company's bonds are included on the official list of the Malta Stock Exchange. The first tranche was admitted to trading in 2014, and is redeemable at par on 30 December 2021. The second tranche was admitted to trading with effect from 29 December 2015 and is redeemable at par on 30 December 2025.

Interest on the bonds issued as part of the first tranche is payable every six months in arrears, on 30 June and 30 December of each year. The first payment was made on 30 June 2015. The net proceeds have been used to acquire the Zebbug, St. Julian's and Gudja Central Business Centres, to finance the demolition and excavation works of the St. Julian's Central Business Centre as well as to finish works on the Gudja Central Business Centre.

Interest on the bonds issued as part of the second tranche is payable annually in arrears, on 30 June and 30 December of each year. The first payment was made on 30 June 2016. The net proceeds shall be used for the development and construction of the St. Julian's Central Business Centre.

**Notes to the condensed interim financial information - continued**

**10. Interest bearing borrowings - continued**

On 7 July 2017, the Company issued a Prospectus for the issue of a 10,000,000 Bond having a nominal value of €1 each. The first tranche of the Bond amounting to €6,000,000 was issued on 12 June 2017, and was fully subscribed. On 4 May 2018, it was resolved by the directors that the Company would no longer proceed with issuance of the second tranche of the Bond amounting to €4,000,000.

Interest on the Bond issued is payable annually in arrears on 7 July of each year, the first payment was made on 7 July 2018. The net proceeds were utilised to acquire the new Zebbug site.

The Bond constitutes the general, direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank equally without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Company.

**11. Contingent liabilities**

No events occurred since 31 December 2017 that require disclosure of any contingent liabilities as at 30 June 2018.

**12. Subsequent events**

There were no material events which occurred subsequent to the balance sheet date.