

Central Business Centres plc

Condensed Interim Financial Statements
for the period 1 January 2017 to 30 June 2017

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 p.l.c. (the 'Company') in its published annual report. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2017, as approved by the Board of Directors on 4 August 2017 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. During 2016, the Gudja Business centre reached its completion stage and related interest expense thereafter started being taken to the income statement.

The current period loss of €72 is partially attributable to finance costs of €79,245 which have been expensed during the year and which relate to the apportionment of interest on the Bonds in issue to the Zebbug and Gudja Business Centres – such interest costs will be compensated by the conclusion of further contracts in the Gudja Business Centre once further tenants occupy the building.

The Company's financial position at 30 June 2017 is set out on page 5. During 2017, costs relating to the continuing development of the St Julians 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.

Construction at the St. Julian's Business Centre is proceeding at a good pace and the Company envisages to arrive at an advanced stage of full completion of the project by the end of 2017. All interest costs for the Bonds in issue will thereafter be accounted for in the income statement and projections prepared by management indicate that rental income from the St Julians 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 2017 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.

During 2016 the Company entered into a promise of sale agreement with a related entity for the transfer of a large tract of land in Zebbug for development as business premises comprising a combination of uses, ranging from storage, retail and office space. The deposit placed towards the purchase of this property is included with receivables as per Note 12.

The main liability in the statement of financial position relates to the €6 million Bonds in issue.

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.

Interim Directors' report - continued

Directors

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

Mr. Joseph Cortis – Chairman
Mr. Anthony Cortis
Mr. Alfred Sladden
Mr. Francis Gouder

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.

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.

Interim Directors' report - continued

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at 30 June 2017, Anthony Cortis, Francis Cortis, Philip Cortis Joseph Cortis, Raymond Cortis and Paul Cortis each held 41,666 shares, respectively, equivalent to 100% 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 Companies Act, 1995 (Chapter 386, Laws of Malta).


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 2017.

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

4 August 2017

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 2017, 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

4 August 2017



Mr. Alfred Sladden
Director


Condensed interim statement of financial position

	As at 30 June 2017 €	As at 31 December 2016 €
ASSETS		
Non-current assets		
Investment property	14,668,625	14,243,189
Current assets		
Trade and other receivables	707,143	650,463
Cash and cash equivalents	768,515	1,247,181
Total current assets	1,475,658	1,897,644
Total assets	16,144,283	16,140,833
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	250,000	250,000
Capital reserve	10,050,000	10,050,000
Retained earnings	(30,091)	(30,019)
Total equity	10,269,909	10,269,981
Non-current liabilities		
Borrowings	5,874,374	5,865,016
Total non-current liabilities	5,874,374	5,865,016
Current liabilities		
Trade and other payables	-	5,836
Total current liabilities	-	5,836
Total liabilities	5,874,374	5,870,852
Total equity and liabilities	16,144,283	16,140,833

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 4 August 2017 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 2017	Period from 1 January to 30 June 2016
	€	€
Revenue	131,189	121,847
Administrative expenses	(52,016)	(41,441)
Operating profit	79,173	80,406
Finance costs	(164,064)	(167,734)
Finance costs capitalised within inventory	84,819	86,393
Net finance costs expensed	(79,245)	(81,341)
Loss for the period	(72)	(935)
Earnings per share	0.00	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 €	Retained earnings €	Total €
Balance at 1 January 2016	250,000	10,050,000	1,124	10,301,124
Comprehensive income				
Loss for the period	-	-	(935)	(935)
Total comprehensive income	-	-	(935)	(935)
Balance at 30 June 2016	250,000	10,050,000	189	10,300,189
Balance at 1 January 2017	250,000	10,050,000	(30,019)	10,269,981
Comprehensive income				
Loss for the period	-	-	(72)	(72)
Total comprehensive income	-	-	(72)	(72)
Balance at 30 June 2017	250,000	10,050,000	(30,091)	10,269,909

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

Condensed interim statement of cash flows

	Period from 1 January to 30 June 2017	Period from 1 January to 30 June 2016
	€	€
Net cash used in operating activities	(53,230)	(174,752)
Net cash used in investing activities	(425,436)	(288,296)
Net movement in cash and cash equivalents	(478,666)	(463,048)
Cash and cash equivalents at beginning of the period	1,247,181	2,853,623
Cash and cash equivalents at end of the period	768,515	2,390,575

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 2016 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 4 August 2017.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2017 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 2016, 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 2016, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2017

During 2017, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2017.

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 2017. 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

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to endorsement by the EU. The company is yet to assess IFRS 15'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 2016.

5. Critical accounting estimates and judgements

Estimates and judgments 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 judgments made in the course of preparing these interim 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.

Notes to the condensed interim financial information - continued

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. Available-for-sale financial assets

As at 30 June 2017 the Company held no investments.

8. Capital commitments

As at 30 June 2017, the Company had entered into capital commitments amounting to €510,000 (2016: €Nil).

9. 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.

	30 June 2017	30 June 2016
	€	€
Earnings per share	0.00	0.00

10. 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.

Related party transactions for the period ended 30 June 2017, comprise improvements to investment property amounting to €18,183 (2016: €116,677) and amounts derived from contractual agreements for the provision of management services amounting to €25,334 (2016: €19,543). Amounts are interest free and repayable on demand. Trade and other receivables comprise €580,000 that the company had paid during 2016 by way of advance deposit on the sale of property from S.M.W Cortis Limited. One of the directors held €10,000 bonds in issue as at the period end.

The CEO was paid fees amounting to €15,000 for the period 1 January to 30 June 2017 (2016: €Nil) and other directors were paid fees amounting to €4,000 for the period 1 January to 30 June 2017 (2016: €4,000).

Notes to the condensed interim financial information - continued

11. Interest bearing borrowings

On the 5 December, the Company issued a Prospectus for the issue of 6,000,000 Bonds having a nominal value of €100 each. Bonds were issued in two Tranches of €3,000,000 - the first tranche was issued on 22 December 2014, bears interest at 5.75% and was fully subscribed, while the second tranche was issued on 24 December 2015, bears interest at 5.25% and was also fully subscribed. The Company's bonds are included on the official list of the Malta Stock Exchange, the first Tranche is redeemable at par on 30 December 2021 and the second tranche is redeemable at par on 30 December 2025.

Interest on the Bonds is payable annually in arrears, on 30 June and 30 December of each year. The net proceeds have been used to acquire the Zebbug, St Julian's and Gudja Central Business Centres and to finance the demolition and excavation works of the St Julian's Central Business Centre and to finish works on the Gudja Central Business Centre.

The Bonds constitute 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.

12. Contingences

During 2016, the Company entered into a promise of sale agreement with a related entity for the transfer of a large tract of land in Zebbug for development as business premises comprising a combination of uses, ranging from storage, retail and office spaces. The deposit placed towards the purchase of this property is included with other receivables. The full contract value is estimated at €11.5 million and the transfer was concluded in the third quarter of 2017. The acquisition will be funded partly by way of subordinated loan from a related party and the remaining portion by external financing which the Company raised during the same quarter.

13. Subsequent events

On the 29 May 2017, the Company issued a Prospectus for the issue of 10,000,000 Bonds having a nominal value of €100 each. Bonds will be issued in two Tranches - the first tranche of €6,000,000 was issued on 7 July 2017, bears interest at 4.4% and was fully subscribed, while the second tranche is projected to be issued in 2018. The Company's bonds are included on the official list of the Malta Stock Exchange, the first Tranche is redeemable at par on 7 July 2027.

Interest on the Bonds is payable annually in arrears, on 7 July up to and including redemption date. The net proceeds have been used to acquire the Zebbug site from S.M.W Cortis Limited.

The Bonds constitute 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.

On the 14 July 2017, the Company concluded the acquisition of the site in Zebbug as detailed in Note 12.