

Company Registration No.: C 65702

CENTRAL BUSINESS CENTRES P.L.C.

**Annual Report
and
Financial Statements**

31 December 2020

CENTRAL BUSINESS CENTRES P.L.C.
Annual Report and Financial Statements - 31 December 2020

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GENERAL INFORMATION

Registration

Central Business Centres p.l.c. is registered in Malta as a limited liability company under the Companies Act (Cap. 386). The Company's registration number is C 65702.

Directors

Joseph Cortis
Petramay Attard Cortis
Raymond Cortis
Joseph M Formosa
Alfred Sladden

Company secretary

Desiree Cassar

Registered office

Cortis Group, Cortis Buildings
Mdina Road
Zebbug ZBG 4211
Malta

Bankers

APS Bank p.l.c.
APS Centre
Tower Street
Birkirkara BKR 4012
Malta

Bank of Valletta p.l.c.
10 Misrah San Filippu
Zebbug ZBG 1011
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

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DIRECTORS' REPORT

The directors submit their annual report and the financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is to act as a finance, investment and property-holding company. Properties owned by the Company are leased to third parties.

Results and dividends

The results for the year are set out in the statement of comprehensive income on page 18. The directors do not recommend the payment of a dividend.

Review of the business

The Company made a profit after tax of €3,663,214 for the year ended 31 December 2020 (2019: €495,176). The Company's financial position remains satisfactory, and the directors expect the general level of operating activity to be sustained in the foreseeable future.

Financial risk management

The Company is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's risk management is disclosed in Note 3 to the financial statements.

Events after the end of reporting period

No significant events have occurred after the end of the reporting period which require mention in this report.

Future developments

The Company is not envisaging any changes in operating activities for the forthcoming year.

Directors

During the year ended 31 December 2020, the directors were as listed on page 2.

In accordance with the Company's Memorandum and Articles of Association, the directors are required to seek re-election on a yearly basis.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

The Companies Act (Cap. 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss for that period.

In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Central Business Centres p.l.c. for the year ended 31 December 2020 are included in the Annual Report 2020, which is made available on the 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 Company's website is available in other countries and jurisdiction, where legislation governing the preparation and dissemination of financial statements may differ from requirement or practice in Malta.

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.

Auditors

RSM Malta, Certified Public Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

DIRECTORS' REPORT - continued

Principal risks and uncertainties faced by the Company

The Company is subject to market and economic conditions in general

The Company is subject to general market and economic risks which include factors such as the condition 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.

In view of the developments pertaining to the COVID-19 pandemic that occurred during and continued after the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the Company. Based on the outcome of cash flow projections prepared by the Company which factor possible strain on rental streams and occupancy driven by the pandemic, the directors and senior management consider the going concern assumption in the preparation of the Company's financial statements as appropriate as at the date of the authorisation for issue of the 2020 financial statements. They also believe that no material uncertainty that may cast significant doubt about the Company's ability to continue honouring liabilities as and when they fall due and to continue operating as a going concern for the next twelve months exists as at that date.

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 Villa in St. Julian's and the new Zebbug business premises. 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 an adverse material impact on the ability of the Company to repay the Bond and Interest thereon.

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. Transfers of shares are restricted within family members.

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at 31 December 2020, Petramay Attard Cortis, Eman Cortis and Joelle Cortis each hold 13,890 shares, whereas Jeanelle Bonello Cortis, Claudia Borg, Alexia Camilleri Cortis, Tiziana Cortis, Adriana Cutajar and Crystielle Farrugia each hold 20,833 shares. The cumulative shares of these aforementioned shareholders are equivalent to 67% of the Company's issued share capital. The remaining 33% is also held by members of the Cortis family in individual portions of less than 5%.

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.

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DIRECTORS' REPORT - continued

Board Member Powers

The powers of the Board members are contained in 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 (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 31 December 2020.

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.

Pursuant to Listing Rule 5.70.1

At year-end, the Company had various agreements for the lease of office and car spaces in the Zebbug Central Business Centre, Gudja Central Business and St. Julian's Central Business Centre. As at 31 December 2020, the Zebbug Central Business Centre was operating at full capacity, the Gudja Central Business Centre was operating at 92%, and the St. Julian's Central Business Centre was operating at 57% capacity.

Pursuant to Listing Rule 5.68


Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and results of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

This report was approved by the directors and duly signed by:



Mr. Joseph Cortis
Chairman and CEO



Mr. Alfred Sladden
Director

Registered office:
Cortis Buildings
Mdina Road
Zebbug ZBG 4211
Malta

16 April 2021

CENTRAL BUSINESS CENTRES P.L.C.

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Corporate Governance - Statement of Compliance

The Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, listed companies are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

The Board of Directors (the "Board") of Central Business Centres p.l.c. (the "Company") believes in the adoption of the Code and has endorsed it except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of the specific recommendations. In this context it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

The Board

The Board of Directors is responsible for the Company's affairs, in particular in giving direction to the Company and being actively involved in overseeing the systems of control and financial reporting. The Board has discussed the Code and all directors are aware of their responsibilities as such, including those arising from such Code.

More specifically, in the ordinary course of its business and affairs, the Board of Directors of the Company is responsible for:

- defining the Company's strategy, policies and business policies.
- establishing internal and external reporting systems so that it can continuously access accurate, relevant and timely information to discharge its duties, exercise objective judgement and make decisions.
- continuously assessing and monitoring the Company's present and future operations, opportunities, threats and risks.
- evaluating the management's implementation of corporate strategy and financial objectives.
- reviewing the strategy, processes and policies adopted for implementation.
- ensuring that the Company has appropriate policies and procedures in place to assure that the Company maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business, and ethical standards.
- providing the market with regular, timely and accurate announcements where appropriate and in terms of the applicable rules and laws governing the affairs of the Company.

The Board of the Company meets at least quarterly and more frequently if necessitated by the business and/or the general circumstances of the Company.

Chairman and Chief Executive Officer

The functions of the Chairman and Chief Officer are vested by the same individual. The Chairman's main function is to lead the Board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

CENTRAL BUSINESS CENTRES P.L.C.

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Corporate Governance - Statement of Compliance - continued

Complement of the Board

The Board is composed of one executive and four non-executive directors, as listed below:

Executive Director

Mr. Joseph Cortis (Chairman and Chief Executive Officer)

Non-Executive Directors

Mr. Alfred Sladden

Chev. Raymond Cortis

Dr. Petramay Attard Cortis

Mr. Joseph M Formosa

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Mr. Alfred Sladden, and Mr. Joseph M Formosa are considered independent non-executive directors.

Internal Control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the Company is delegated to the Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

The approval of credit to customers is made by the CEO, in strict adherence to a Board - approved limit. Proposals falling outside the limit are referred, together with the supporting documentation and the CEO's recommendations, to the Board. The Board also approves, after review and recommendation by the Audit Committee, the transfer of funds and other amounts payable to related companies and ensures that these are subject to terms and conditions which are on an arm's length basis.

Directors' Attendance at Board Meetings

The Board believes that it has systems in place to fully comply with the principles of the code. Directors meet regularly, mainly to review the financial performance of the Company and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advice at the Company's expense should they so require.

The Board met formally four times during the period under review. The number of Board meetings attended by directors for the year ended 31 December 2020 is as follows:

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Corporate Governance - Statement of Compliance - continued

Directors' Attendance at Board Meetings- continued

Members	Attended
Mr. Joseph Cortis	4
Mr. Alfred Sladden	4
Chev. Raymond Cortis	4
Dr. Petramay Attard Cortis	4
Mr. Joseph M Formosa	4

Committees

The directors believe that, due to the Company's size and operations, the remuneration, evaluation, and nominations committees that are suggested in the Code are not required, and that the function of these can be undertaken by the board itself. However, the Board on an annual basis undertakes a review of the remuneration paid to the directors and carries out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the directors at the annual general meeting.

Audit Committee

The Board has established an Audit Committee (the "Committee") and has formally set out Terms of Reference as outlined in the Principles laid out in the Listing Rules. The purpose of the Committee is to protect the interest of the company's share and bond holders and assist the directors in conducting their role effectively. In the absence of an internal audit department, the Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the entities borrowing funds from the Company, to ensure that budgets are achieved and if not, corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out at arm's length basis. The Listing Authority considered the Terms of Reference as having sufficient safeguards to ensure the independence of the Audit Committee.

The Members of the Audit Committee are:

Mr. Alfred Sladden (Chairman)

Dr. Petramay Attard Cortis

Mr. Joseph M Formosa

Alfred Sladden is a director who the Board considers as a person competent in accounting. Alfred Sladden held senior management positions at Mid-Med Bank and Investment Finance Bank including that of director of Mid-Med Life Insurance from 1995-1996 and Chairman of Maltapost and the Foundation for Medical Services between 1998 till 1999. Between 1999-2011, he held a part time post as financial advisor for the Eurochange Financial Services and simultaneously the post of Chairman of the VAT Appeals Board. He was Executive Director for a subsidiary of the Corinthia Group in the Czech Republic between 2000 and 2010 and financial advisor of Technoline Limited between 2009 and 2013.

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Corporate Governance - Statement of Compliance - continued

The Members of the Audit Committee are: - continued

Petramay Attard Cortis is a director who the Board considers as a person of organisational skills and strategic thinking. Petramay Attard Cortis is an anaesthetist by profession and is a third-generation family member of Cortis Group of Companies. She has been an active member of the Youth Family Council (YFC) since its inception in 2007 and is involved with Succession Planning and the Group's Corporate Social Responsibility Programme, and is involved in various aspects of the business including marketing, sales, social media, event management, customer relations, and business strategy.

Joseph M Formosa is a director who the Board considers as a person competent in finance. Joseph M Formosa has had a 35-year career with Bank of Valletta Plc where he held various positions in financial control, asset and liability management, strategy, risk, marketing, mortgages and personal credit. He was Chairman of the bank's Card Services Company which was mainly responsible for the successful international programme called "Malta Welcomes Visa". He also held the position of General Manager of Lohombus Bank Ltd (a joint venture between Mid-Med Bank Ltd and Bank of Valletta that specialized in home loans) and when Mid-Med Bank Limited was acquired by HSBC Plc, Joseph was actively involved in the restructuring process.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determined the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the last Annual General Meeting was €12,000.

None of the directors are employed or have a service contract with the Company.

No part of the remuneration paid per annum to the directors is performance based, the Chief Executive Officer receives remuneration of €30,000. None of the directors, in their capacity as a director of the Company, is entitled to profit sharing, share options or pension benefits. The directors do not receive any form of monetary or non-monetary perks or benefits.

During 2020, the directors and Chief Executive Officer waived part of the above-mentioned fees and received €10,500 and €26,500, respectively, for services rendered (Note 6).

Remuneration Committees

Since the remuneration of the directors of the Company is not performance-related, the functions of the Remuneration Committee are carried out by the Board of Directors. No new proposals on the remuneration policy for directors and Senior Executives or on the individual remuneration attributed to any of the directors or of the Senior Executives were put forward to the Board of Directors in 2020. Monitoring will continue in 2021 and proposals will be put forward to the Board of Directors in 2021 should it be necessary.

Relations with bondholders and the market

The Company publishes interim and annual financial statements and when required company announcements. The Board feels these provide the market with adequate information about its activities.

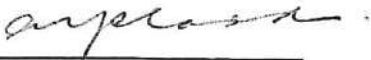
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Corporate Governance - Statement of Compliance - continued


Conflicts of Interest

On joining the Board and regularly thereafter, directors and officers of the Company are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law and Listing Rules. The Company has also set reporting procedures in line with the Listing Rules, Code of Principles, and internal code of dealing.

Signed on behalf of the Board of Directors on 16 April 2021:



Mr. Alfred Sladden
Director and Chairman of the Audit Committee



Chev. Raymond Cortis
Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Central Business Centres p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Central Business Centres p.l.c. ("the Company"), set out on pages 18 to 42, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws 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 Company for the year ended 31 December 2020 are disclosed in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

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: Valuation of investment properties

The carrying amount of investment property in the statement of financial position represents the value of the land, development and borrowing costs attributable to commercial blocks located in Zebbug, Gudja and St. Julian's, which are either held for lease or property under development as at 31 December 2020.

In 2020, the Company's investment properties were revalued by a professionally qualified valuer. The current value of the investment properties is determined on the basis of open market values taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

Valuation of the Company's property portfolio is inherently subjective principally due to the judgemental nature of the factors mentioned above. The significance of the estimates and judgements involved, coupled with the fact that a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

Further disclosure is included in the Note 10 to these financial statements.

Audit response

We understood and evaluated the assessment performed by management on the basis of the revaluations performed by a professional qualified valuer to ascertain the fair value of investment property.

Our audit procedures included challenging the significant unobservable inputs that were applied in the valuations made, including those with respect to previous years' valuation reports for Zebbug, Gudja and St. Julian's. With respect to property under development, we carried out testing to ensure that the costs were supported by available third-party data, such as invoices and work-in-progress reports.

We concluded, based on our audit work, that the outcome of the assessment is reasonable.

In addition, we reviewed the adequacy of disclosures made in Note 10 to these financial statements and concluded that these are adequate.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Other information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. 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. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

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

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial year on which the financial statements had been prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 IFRS as adopted by the EU and the requirements of the 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 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 Company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Auditors' 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 auditors' 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

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 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.

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 7 to 11 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 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.
 - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

INDEPENDENT AUDITORS' REPORT - continued

Report on other legal and regulatory requirements - continued

Other matters on which we are required to report by exception - continued

- 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.

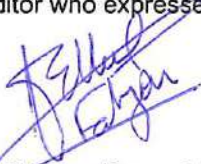
We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditors of the Company on 13 November 2020.

Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 23 April 2020.



*This copy of the audit report has been signed by
Joseph Ellul Falzon (Principal)
for and on behalf of*

RSM Malta
Certified Public Accountants

16 April 2021

CENTRAL BUSINESS CENTRES P.L.C.
Annual Report and Financial Statements - 31 December 2020

STATEMENT OF COMPREHENSIVE INCOME

		2020	2019
		€	€
	Note		
Revenue	5	1,252,162	1,085,861
Administrative expenses		(137,449)	(219,781)
Operating profit		1,114,713	866,080
Other income		2,500	-
Finance income	7	172	144
Finance costs	8	(628,535)	(209,119)
Fair value movement relating to investment property	10	4,842,531	-
Profit before tax		5,331,381	657,105
Taxation	9	(1,668,167)	(161,929)
Profit for the financial year		3,663,214	495,176
Total comprehensive income for the year		3,663,214	495,176
Earnings per share	16	14.65	1.98

CENTRAL BUSINESS CENTRES P.L.C.
Annual Report and Financial Statements - 31 December 2020


STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	11	179,354	194,528
Investment property	10	34,000,000	29,121,517
		<u>34,179,354</u>	<u>29,316,045</u>
Current assets			
Trade and other receivables	12	210,468	91,263
Cash and cash equivalents	20	360,384	131,653
		<u>570,852</u>	<u>222,916</u>
TOTAL ASSETS		<u>34,750,206</u>	<u>29,538,961</u>
EQUITY AND LIABILITIES			
Capital reserve			
Share capital	13	250,000	250,000
Capital reserve	14	16,100,000	16,100,000
Revaluation reserve	15	4,954,440	596,162
Accumulated losses		(1,088,531)	(393,467)
TOTAL EQUITY		<u>20,215,909</u>	<u>16,552,695</u>
Non-current liabilities			
Borrowings	18	8,878,994	11,826,169
Deferred tax liabilities	17	2,238,641	738,641
		<u>11,117,635</u>	<u>12,564,810</u>
Current liabilities			
Borrowings	18	2,981,710	-
Trade and other payables	19	318,477	284,508
Current tax payable		116,475	136,948
		<u>3,416,662</u>	<u>421,456</u>
TOTAL LIABILITIES		<u>14,534,297</u>	<u>12,986,266</u>
TOTAL EQUITY AND LIABILITIES		<u>34,750,206</u>	<u>29,538,961</u>

The financial statements on pages 18 to 42 have been authorised for issue by the Board of Directors on 16 April 2021 and were signed on its behalf by:


Joseph Cortis
 Director


Alfred Sladden
 Director

CENTRAL BUSINESS CENTRES P.L.C.
Annual Report and Financial Statements - 31 December 2020

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Capital reserve €	Revaluation reserve €	Accumulated losses €	Total equity €
Financial year ended 31 December 2019					
Balance at 01 January 2019	250,000	16,100,000	596,162	(888,643)	16,057,519
Total comprehensive income for the year:					
<i>Profit for the financial year</i>	-	-	-	495,176	495,176
Balance at 01 January 2020	250,000	16,100,000	596,162	(393,467)	16,552,695
Financial year ended 31 December 2020					
Balance at 01 January 2020	250,000	16,100,000	596,162	(393,467)	16,552,695
Total comprehensive income for the year:					
<i>Profit for the financial year</i>	-	-	-	3,663,214	3,663,214
Transfer of revaluation surplus on investment property, net of deferred tax	-	-	4,358,278	(4,358,278)	-
					10.
Balance at 31 December 2020	250,000	16,100,000	4,954,440	(1,088,531)	20,215,909

CENTRAL BUSINESS CENTRES P.L.C.
Annual Report and Financial Statements - 31 December 2020

STATEMENT OF CASH FLOWS

	2020	2019
Note	€	€
Cash from operating activities:		
Profit before tax	5,331,381	657,105
Adjustment for:		
Interest expense and amortisation of bond issue costs	628,535	209,119
Interest income	(172)	(144)
Depreciation charge	23,271	22,462
Fair value movements on investment property	(4,842,531)	-
Profit from operations	1,140,484	888,542
Movements in trade and other receivables	(119,205)	55,054
Movements in trade and other payables	33,969	(82,756)
Cash from operating activities	1,055,248	860,840
Interest received	172	144
Income taxes paid	(188,640)	(51,815)
Net cash flows generated from operating activities	866,780	809,169
Cash flows from investing activities:		
Payments to acquire property, plant and equipment	(8,097)	(100,341)
Payments to acquire investment property	(35,952)	(138,128)
Net cash flows used in investing activities	(44,049)	(238,469)
Cash flows from financing activities:		
Interest paid	(594,000)	(594,000)
Net cash increase/(decrease) in cash and cash equivalents	228,731	(23,300)
Cash and cash equivalents at beginning of year	131,653	154,953
Cash and cash equivalents at end of year	20	360,384
		131,653

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Central Business Centres p.l.c. ("the Company") is a limited liability company and is incorporated in Malta with its registered address at Cortis Group, Cortis Buildings, Mdina Road, Zebbug ZBG 4211, Malta.

The ownership of the Company's share capital and voting rights related to such holdings, are such that no particular individual or identifiable group of individuals could exercise ultimate control over the Company.

The principal activity of the Company is to act as a finance, investment and property-holding company. Properties owned by the Company is leased to third parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Companies Act (Cap. 386) enacted in Malta. The financial statements have been prepared under the historical cost convention, except as modified by the fair valuation of investment property.

During the year, the Company made a profit of €3,663,214 for the year ended 31 December 2020 (2019: profit of €495,176). As at 31 December 2020, the Company's net assets amounted to €20,215,909 (2019: €16,552,695) and its current liabilities exceeding current assets by €2,845,810 (2019: €198,540).

In view of the developments pertaining to the COVID-19 pandemic that occurred during and after the end of the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the Company. For financial reporting purposes, events relating to the ongoing COVID-19 are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the Company reported within these financial statements for the year ended 31 December 2020 have not been adjusted to reflect any possible subsequent impact.

Based on the outcome of cash flow projections prepared by the Company under a pessimistic scenario, factoring significant strain on rental rates and occupancy, the directors and senior management consider the going concern assumption in the preparation of the Company's financial statements as appropriate as at the date of authorisation for issue of the 2020 financial statements. They also believe that no material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern exists as at that date.

The Company's principal activity is to act as a finance company for the development of various commercial blocks which once completed, will be retained by the Company for rental to third parties for the generation of future rental income streams. In this context, the Company's trading prospects are dependent on the timely development of such properties and on the performance of the related projected rental streams. While the location of such developments is spread over different locations on the island, the Company is exposed to risks of negative economic trends that may, from time to time, impact.

In preparing these financial statements, the directors of the Company have made reference to the cash flow forecast of the Company for 2021. The cash flow forecast assumes that the Company will complete the respective developments as planned and generate the required cash flows from its trading activities from property rentals. The cash flow forecast also factors, as noted further above in this note, the possible implications on rental streams brought about by COVID-19.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation and statement of compliance - continued

Based on the foregoing, the directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements, however, do not include any adjustments in the event that the forecast and assumptions as set out above do not materialise as planned.

The preparation of financial statements in conformity with IFRS as adopted by EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (Note 4).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes disclosed in the new or revised standards, interpretations and amendments adopted which were applied in line with the transitional provisions.

Functional and presentation currency

The financial statements are presented in Euro (€) which is the Company's functional and presentation currency.

New or revised standards, interpretations and amendments adopted

The Company adopted several new or revised standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and endorsed by the EU. The adoption of these new or revised standards, interpretations and amendments did not have a material impact on these financial statements.

New or revised standards, interpretations and amendments issued but not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The directors anticipate that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

Foreign currencies

Transactions underlying items in these financial statements are measured in the Company's functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the end of reporting period. All resulting differences are taken to profit or loss.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Rental income

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Tax

The tax charge/(credit) in the profit or loss for the year normally comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are initially measured at cost, which comprises their purchase prices, as well as other expenditures directly attributable to bringing the assets to the location and condition for their intended use. Subsequent expenditure relating to the assets is added to the carrying values of the assets when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standards of performance, will flow back to the company. All other subsequent expenditure is recognised in profit or loss.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

	%
Plant and machinery	10
Furniture and fixtures	10

The estimated useful life and depreciation methods are reviewed at the end of each reporting period to ensure that such estimated useful life and depreciation methods are consistent with the expected pattern of economic benefits from those assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal or retirement, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and the resulting gain or loss arising from the disposal or retirement is recognised in profit or loss.

Investment property

Investment property, comprising commercial premises including offices, shops, showrooms, warehouses and car spaces, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company. Investment property comprises land and buildings, is initially recognised at cost, including transaction costs and borrowing costs. 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 investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. If this information is not available, the Company uses alternative valuation methods such as recent process on less active markets or discounted cash flow projections.

Valuations are reviewed annually by the directors, and every three years by a professional valuer. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Changes in fair values are recorded in the profit or loss for the year and then transferred to "fair value gains reserve" through the statement of changes in equity. Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in surplus or deficit.

Investment properties are derecognised when disposed of or when the investment property is permanently withdrawn and there is no future economic benefit expected from its disposal. The cost and related accumulated depreciation and impairment losses, if any are derecognised and the difference between the disposal proceeds and the carrying amount is recognised in profit or loss within "other income/(loss)".

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment property - continued

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Company decides to dispose of an investment property without development, the Company continues to treat the property as an investment property. Similarly, if the Company begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity.

Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Impairment

The carrying amount of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

Financial assets are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The Company's financial assets are as follows:

Financial assets at amortised cost

Financial assets at amortised costs are financial assets that are held within the business model whose objective is to collect contractual cash flows ("hold to collect") and the contractual terms give rise to cash flows that are solely payments of principal and interest.

On initial recognition, financial assets at amortised cost are recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gains or losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets under this classification include trade and other receivables.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost. Equity instruments are not subject to impairment assessment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

For trade receivables, the Company applies a simplified approach to measuring ECLs which recognises lifetime ECLs. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Financial liabilities are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The Company's financial liabilities are mainly financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of transaction cost and are subsequently measured at amortised cost using the effective interest method. All interest-related charges under the interest amortisation process are recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, are recognised in profit or loss.

Financial liabilities under this category include borrowings, and trade and other payables.

Offsetting of financial assets and financial liabilities

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.

Cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Dividends

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

Equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction, net of tax, from proceeds.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

3. FINANCIAL RISK MANAGEMENT

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

(a). Market risk

(i) Foreign currency 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 Company has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. FINANCIAL RISK MANAGEMENT - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

As at reporting date, the Company has fixed rate interest-bearing liabilities and loans owed to related companies, which are interest free. Accordingly, operating cash flows are substantially independent of changes in market interest rates.

As at the statement of financial position date, the Company's exposure to changes in interest rates on bank accounts held with financial institutions was limited as at the Company is subject to fixed interest rates.

Based on the above, the Board considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

(b) Credit risk

Credit risk arises from credit exposures to customers and amounts held with financial institutions.

The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	Note	2020 €	2019 €
Trade and other receivables	12	160,996	87,180
Cash and cash equivalents	20	360,384	131,653
		<u>521,380</u>	<u>218,833</u>

Credit risk on funds advanced to related entities and amounts deposited with local financial institutions is considered as limited, since cash at bank and fixed term deposits are placed with local financial institutions having a high-quality standing.

With regards to amounts receivable arising from rental income, the Company assesses the credit quality of the third-party tenants on an ongoing basis, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practicable manner such that there is no material past due amounts receivable from third-party tenants as at the reporting date. The Company has no significant concentration of credit risk arising from third-parties.

As at 31 December 2020, trade receivables of €32,455 (2019: €32,455) were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The impaired receivables relate to a previous tenant which is in unexpectedly difficult economic situations.

The movement in provisions for impairment of trade receivables is disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. FINANCIAL RISK MANAGEMENT - continued

(c) Liquidity risk

The Company 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 (Notes 18 and 19). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount	Contractual cash flow	Due within one year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
	€	€	€	€	€	€
31 December 2020						
Borrowings	11,860,704	14,808,000	3,594,000	843,000	10,371,000	-
Trade and other payables	318,477	318,477	318,477	-	-	-
	<u>12,179,181</u>	<u>15,126,477</u>	<u>3,912,477</u>	<u>843,000</u>	<u>10,371,000</u>	<u>-</u>
31 December 2019						
Borrowings	11,826,169	15,867,255	594,000	4,188,000	4,950,000	6,135,255
Trade and other payables	284,508	284,508	284,508	-	-	-
	<u>12,110,677</u>	<u>16,151,763</u>	<u>878,508</u>	<u>4,188,000</u>	<u>4,950,000</u>	<u>6,135,255</u>

The Company continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

Fair values

The fair values of non-current borrowings is based on amortised cost representing proceeds received net of transaction costs incurred. The amortisation of transaction costs is calculated using the effective yield method.

As at 31 December 2020 and 2019, the carrying amounts of other financial instruments, comprising cash at bank, trade and other receivables, trade and other payables and accrued expenses approximated their fair values due to their short-term maturities.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. FINANCIAL RISK MANAGEMENT - continued

Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the 5.75%, 5.25% and 4.40% bonds.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The Board of directors monitors the return on capital, which the Company defines as the profit for the year divided by total equity. The Board of directors also monitors the level of dividends to ordinary shareholders.

4. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company's directors, except for the matters disclosed below and the disclosures made under Note 2 - Significant accounting policies, Basis of preparation and compliance, and Note 22 - Contingent liabilities, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1.

Valuation of investment property

The Company reviews the valuation of the investment property on an annual basis. In 2020, 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 statement of comprehensive income. Further disclosures on key assumptions in this regard are included in Note 10. In 2020, it was unanimously agreed by both the Audit Committee and the Board of Directors that the current value of the Company's properties reflects fair value.

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NOTES TO THE FINANCIAL STATEMENTS - continued

5. REVENUE

Revenue relates to the lease of office, warehousing and car spaces in both Zebbug Central Business Centres, the Gudja Central Business Centre and the St. Julian's Central Business Centre. When works on Villa Fieres are complete, rental income will be generated on the basis of contracts finalised with tenants.

	2020	2019
	€	€
Rental income	<u>1,252,162</u>	<u>1,085,861</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2020	2019
	€	€
Depreciation	23,271	22,462
Directors' remuneration (i)	<u>10,500</u>	<u>12,000</u>

i. The directors' remuneration was paid to the non-executive directors, whereas the CEO received payments amounting to €26,500 (2019: €30,000). These costs are presented as part of professional fees. The directors do not receive any form of monetary or non-monetary perks or benefits.

Auditors' remuneration

Fees charged by the auditor for services rendered during the financial year ended 31 December 2020 and 2019 related to the following:

	2020	2019
	€	€
Annual statutory audit	5,950	6,350
Tax compliance and other services	<u>1,000</u>	<u>1,750</u>
	<u>6,950</u>	<u>8,100</u>

7. FINANCE INCOME

	2020	2019
	€	€
Interest income from banks	<u>172</u>	<u>144</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued

8. FINANCE COSTS

	2020	2019
	€	€
Interest payable on bonds	594,000	594,000
Amortisation of bond issue costs (Note 18)	34,535	32,661
	<u>628,535</u>	<u>626,661</u>
Finance cost capitalised within investment property (Note 10)	-	(417,542)
	<u>628,535</u>	<u>209,119</u>

9. TAXATION

The tax charged to profit or loss comprised of the following:

	2020	2019
	€	€
Current tax charge	168,167	161,929
Deferred tax charge	1,500,000	-
	<u>1,668,167</u>	<u>161,929</u>

The tax on the Company's profit before tax differs from the theoretical tax expense that would arise using the applicable tax rate in Malta of 35% as follows:

	2020	2019
	€	€
Profit before tax	5,331,381	657,105
Theoretical expense at 35%	1,865,983	229,987
Tax effect of:		
Rent maintenance allowances	-	(3,500)
Rental income subject to tax	(270,089)	(197,172)
Non-deductible expenses	268,094	132,614
Movement in investment property	(194,886)	-
Non-taxable income	(935)	-
	<u>1,668,167</u>	<u>161,929</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued

10. INVESTMENT PROPERTY

	2020	2019
	€	€
Year ended 31 December		
At 1 January	29,121,517	28,603,634
Additions	35,952	100,341
Capitalised borrowing costs	-	417,542
Increase in fair value	4,842,531	-
At 31 December	34,000,000	29,121,517

Fair valuation of the property

On 5 December 2020, the Company's investment property, which comprises four office blocks located in Zebbug, Gudja and St. Julian's, were revaluated by a professionally qualified valuer. The book value was adjusted to the revalued amount and the resultant surplus, net of applicable deferred income taxes, were credited to the statement of comprehensive income. The surplus, net of deferred tax was transferred to the revaluation reserve through the statement of changes in equity (see Note 15).

Valuations were made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- 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 Company's investment property comprises the properties described above. Both Zebbug Central Business Centres, the Gudja Central Business Centre and the St. Julian's Business Centre are complete and being leased out, whilst finishing of the Villa Fieres is almost complete and started operating in the fourth quarter of 2021. Property fair value measurements at 31 December 2020 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2020.

A reconciliation from the opening balance to the closing balance of land and building for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

Valuation processes

The valuation of these properties is performed on the basis of the valuation reports prepared by a third-party qualified valuer. These reports are based on both:

- information provided by the Company; and
- assumptions and valuation models used by the valuers with assumptions being typically market related and based on professional judgment and market observation.

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NOTES TO THE FINANCIAL STATEMENTS - continued

10. INVESTMENT PROPERTY - continued

Valuation processes - continued

The information provided to the valuers, together with the underlying assumptions and valuation models used by the valuers, are reviewed by the Board of Directors. The Board then considers the valuation report as part of its overall responsibilities.

Valuation techniques

The valuation was performed using the guidelines of the "Valuation Standards for accredited Valuers" published by the Kamra tal-Periti.

Given the specific nature of these assets, the valuations of the Level 3 property have been performed by reference to valuation models. These valuation models include:

- in the case of the completed properties, namely those located in Zebbug (both properties), Gudja and St. Julian's, the sales comparison approach, factoring in adjustments for the respective properties to cater for differences in the size, age, location and condition; and
- in the case of Villa Fieres, which still have ongoing works, the valuation is based on the contract price on acquisition during 2014, together with additional capitalised amounts covering construction and restoration costs carried out to date and property location value.

The respective valuations include observable inputs extracted from recent market transactions and property marketed in a similar location and having a similar level of finishing.

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery
Cost	
Balance as at 31 December 2019	224,611
Additions	8,097
Balance at 31 December 2020	232,708
Accumulated depreciation	
Balance as at 31 December 2019	(30,083)
Depreciation	(23,271)
Balance at 31 December 2020	(53,354)
Carrying amount	
At 31 December 2019	194,528
At 31 December 2020	179,354

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NOTES TO THE FINANCIAL STATEMENTS - continued

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	€	€
Trade receivables	142,165	43,959
Prepayments	49,472	4,083
Indirect taxation	18,831	43,221
	<u>210,468</u>	<u>91,263</u>

Trade receivables are stated net of an allowance for impairment losses amounting to €32,455 (2019: €32,455). The Company's exposure to credit risk and impairment losses related to trade receivables are disclosed in Note 3.

13. SHARE CAPITAL

	2020	2019
	€	€
Authorised, issued and fully paid up		
250,000 ordinary shares of €1 each	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14. CAPITAL RESERVE

	2020	2019
	€	€
Subordinated loans		
At beginning and end of year	<u>16,100,000</u>	<u>16,100,000</u>

On 20 November 2014, the Company entered into three subordinated loans with related parties to part finance the acquisition of the Zebbug Central Business Centres, the Gudja Central Business Centre, the St. Julian's Business Centre and the Villa Fieres Site.

On 14 July 2017, the Company entered into another subordinated loan with the same terms and conditions to part finance the acquisition of the Zebbug property located across the completed Zebbug Business Centre.

During 2018, the Company utilised a further €250,000 of one of the €400,000 of subordinated loans entered into on 20 November 2014.

The parties have agreed that the loans are interest-free unless otherwise agreed from time to time, provided that a two-year moratorium from date of the Subordinated Loan Agreement will automatically apply and that the rate of interest, if any, will not exceed 5%. The loan agreements stipulate that the Company has the discretion to settle the subordinated loans by way of issue of a fixed number of shares at par value.

CENTRAL BUSINESS CENTRES P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

14. CAPITAL RESERVE - continued

The settlement of these loans will not be made unless the Company has sufficient funds to repay the principal and interest on the Bonds in issue in full, in accordance with the terms of the Bond Issuance Programme.

In line with IAS 32, such amounts fall under the definition of equity and are therefore classified in these financial statements as a component of equity as a capital reserve.

15. REVALUATION RESERVE

	2020	2019
	€	€
At the beginning of year	596,162	596,162
Transfer of revaluation surplus arising during the year - net of deferred tax	4,358,278	-
At the end of the year	4,954,440	596,162

The revaluation reserve is non-distributable.

16. EARNINGS PER SHARE

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

	2020	2019
	€	€
Profit for the year	3,663,214	495,176
Weighted average number of ordinary shares in issue	250,000	250,000
Earnings per share	14.65	1.98

17. DEFERRED TAX

The movement in deferred tax for the year is analysed as follows:

	2020	2019
	€	€
At beginning of year	(738,641)	(738,641)
Deferred taxes on temporary differences arising from the revaluation of the investment properties	(1,500,000)	-
At end of year	(2,238,641)	(738,641)

CENTRAL BUSINESS CENTRES P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

17. DEFERRED TAX - continued

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 35%. The balance as at 31 December 2020 represents:

	2020	2019
	€	€
Tax effect of temporary differences arising from:		
- Revaluation, net of related depreciation	(2,250,000)	(750,000)
- Provisions for impairment of trade receivables	11,359	11,359
	<u>(2,238,641)</u>	<u>(738,641)</u>

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

18. BORROWINGS

	2020	2019
	€	€
Due within one year		
Bonds 2021	<u>2,981,710</u>	-
Due after more than one year		
Bonds 2021	-	2,964,535
Bonds 2025	2,966,771	2,961,141
Bonds 2027	5,912,223	5,900,493
	<u>8,878,994</u>	<u>8,861,634</u>
	<u>11,860,704</u>	<u>11,826,169</u>

The interest rate exposure of the Company's borrowings are as follows:

	2020	2019
Bonds 2021	5.75%	5.75%
Bonds 2025	5.25%	5.25%
Bonds 2027	<u>4.40%</u>	<u>4.40%</u>

CENTRAL BUSINESS CENTRES P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

18. BORROWINGS - continued

	2020	2019
	€	€
Bonds outstanding		
Proceeds	<u>12,000,000</u>	<u>12,000,000</u>
Gross amount of bond issue costs	<u>291,759</u>	<u>291,759</u>
Amortisation of gross amount of bond issue costs:		
At 1 January	117,928	85,267
Amortisation charge for the period	<u>34,535</u>	<u>32,661</u>
Accumulated amortisation at end of period	<u>152,463</u>	<u>117,928</u>
Unamortised bond issue costs	<u>139,296</u>	<u>173,831</u>
Amortised cost and closing carrying amount	<u>11,860,704</u>	<u>11,826,169</u>

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 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 were used for the development and construction of the St. Julian's Central Business Centre.

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 Bond was issued in two tranches, the first tranche amounting to €6,000,000 was issued on 12 June 2017, and was fully subscribed, while the second tranche of €4,000,000 was not issued.

Interest on the bonds issued as part of the first tranche 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 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.

CENTRAL BUSINESS CENTRES P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

18. BORROWINGS - continued

	2020	2019
	€	€
Net debt reconciliation		
Cash and cash equivalents (Note 20)	360,384	131,653
Borrowings at fixed rates - repayable within one year	(172,500)	-
Borrowings at fixed rates - repayable after one year	(421,500)	(594,000)
Net liability	(233,616)	(462,347)

	2020	2019
	€	€
Borrowings as at 1 January	11,826,169	11,793,508
Amortisation of bond issue costs	34,535	32,661
Borrowings as at 31 December	11,860,704	11,826,169

19. TRADE AND OTHER PAYABLES

	2020	2019
	€	€
Trade payables	183,132	144,213
Accruals	6,600	7,000
Bond interest payable (Note 18)	128,745	133,295
	318,477	284,508

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks, net of bank overdraft. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

	2020	2019
	€	€
Cash on hand	159	378
Bank balances	360,225	131,275
	360,384	131,653

CENTRAL BUSINESS CENTRES P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

21. 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 under a common directorship of Mr. Joseph Cortis. All members of the Cortis family are deemed to be related parties.

The following transactions were carried out with related parties:

	2020	2019
	€	€
Administration and management fees paid	38,140	83,727
Professional fees	37,000	42,000

22. CONTINGENT LIABILITIES

As at 31 December 2020, the Company was involved in one ongoing legal claim amounting to less than €100,000 which is being repudiated. The Board of Directors, based on legal advice obtained, does not expect any financial losses to be incurred from such claims, and have consequently not made any provisions in that regard.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

The COVID-19 pandemic is considered to be a significant continuing event both during and subsequent to the reporting period. Disclosures relating to this event are found in Note 2 to these financial statements.

24. COMPARATIVE INFORMATION

Certain amounts in the comparative information have been presented to align with the current year presentation.

CENTRAL BUSINESS CENTRES P.L.C.
Supplementary Statement - 31 December 2020

ADMINISTRATIVE EXPENSES

	2020	2019
	€	€
Administration and management fees	38,140	40,497
Consulting and professional fees	61,581	76,850
Depreciation	23,271	22,462
Insurance	10,138	11,269
Lease rentals on operating lease	-	50,000
Other expenses	4,319	18,703
	137,449	219,781
