

Central Business Centres plc

**Condensed Interim Financial Statements
for the period 1 January 2020 to 30 June 2020**

Company Registration Number: C 65702

	Pages
Interim Directors' report	1 - 4
Statement pursuant to listing rule 5.75.3	5
Condensed interim statement of financial position	6
Condensed interim statement of comprehensive income	7
Condensed interim statement of changes in equity	8
Condensed interim statement of cash flows	9
Notes to the condensed interim financial statements	10 - 13

Interim Directors' report

This interim report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by Central Business Centres plc (the 'Company') in its published annual report for the year ended 31 December 2019. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2020, as approved by the Board of Directors on 21 August 2020 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Principal activities

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

Review of the business

During the period under review, the Company leased offices in the Zebbug Business Centre, the Gudja Business Centre and the St. Julians Business Centre to third parties. During 30 June 2020, the Zebbug Business Centre was fully occupied by tenants while the Gudja Business Centre was 86% occupied and the St Julians Business Centre was 55% occupied.

The profit for the period of €277,866 (2019: €414,453) is net of finance costs of €152,588 (2019: €91,384) which have been expensed during the year, and which relate to the apportionment of interest on the Bonds in issue to finance the Zebbug, Gudja and St. Julians Central Business Centres.

The Company's financial position at 30 June 2020 is set out on page 6. During the first six months of 2020, costs relating to the continuing development of the St Julian's Business Centre's restoration of Villa Fieres were capitalised within Investment Property. Management involvement in monitoring of development of this site remains very close to ensure that costs are kept under scrutiny and for the property to align to the high-end specifications of Business Centres developed by the Company.

The St. Julian's Central Business Centre started operating during the second quarter of 2019. Part of the interest costs for the Bonds in issue have thereafter been accounted for in the income statement. Projections prepared by management indicate that rental income from the St. Julian's Central Business Centre will adequately cover the interest allocated to this property given that demand from prospective tenants is very positive.

The directors have assessed that the carrying value of investment property as at 30 June 2020 is reasonable and not subject to indications of impairment. In the event that general economic conditions and property market conditions experience a downturn, this may have an adverse impact on the fair value of the Company's Investment Property. The directors have no intention of disposing of this property in the foreseeable future.

The main liability in the statement of financial position relates to the €12 million Bonds in issue.

Results and dividends

The financial results are set out in the statement of comprehensive income on page 7. The directors do not propose the payment of dividends.

Interim Directors' report - continued

Directors

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

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

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

Going concern statement pursuant to Listing Rule 5.62

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

Principal risks and uncertainties faced by the Company

The company is subject to market and economic conditions generally

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

In view of the developments pertaining to the COVID-19 pandemic that began in March 2020, 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 authorisation for issue of the 2020 interim 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.

Interim Directors' report - continued

Risks associated with the property market - continued

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

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

Share capital structure

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

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at 30 June 2020, Petramay Attard Cortis, Eman Cortis and Joella 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.

Interim Directors' report - continued

Appointment and Replacement of Directors

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

Board Member Powers

The powers of the Board members are contained in Article 54-69 of the Company's Articles of Association. The Articles of Association grant the Company the power to buy back its own shares in terms of the Maltese Companies Act (Cap. 386).

Contracts with Board Members and Employees

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

On behalf of the board


Mr. Joseph Cortis
CEO and Chairman


Mr. Alfred Sladden
Director

Registered office
Cortis Buildings
Mdina Road
Zebbug
Malta

21 August 2020

Directors' Statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

- The condensed interim financial statements give a true and fair view of the financial position of the company as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34, 'Interim Financial Reporting'); and
- The Interim Directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

On behalf of the board



Mr. Joseph Cortis
Director

21 August 2020



Mr. Alfred Sladden
Director

Condensed interim statement of financial position

	As at 30 June 2020 € (unaudited)	As at 31 December 2019 €
ASSETS		
Non-current assets		
Investment property	29,477,749	29,316,045
Current assets		
Trade and other receivables	33,030	91,263
Cash and cash equivalents	381,225	131,653
Total current assets	414,255	222,916
Total assets	29,892,004	29,538,961
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	250,000	250,000
Capital reserve	16,100,000	16,100,000
Revaluation reserve	596,162	596,162
Accumulated losses	(115,601)	(393,467)
Total equity	16,830,561	16,552,695
Non-current liabilities		
Borrowings	11,843,437	11,826,169
Deferred tax liabilities	738,641	738,641
Total non-current liabilities	12,582,078	12,545,035
Current liabilities		
Trade and other payables	479,365	284,508
Current tax liability	-	136,948
Total current liabilities	479,365	421,456
Total liabilities	13,031,443	12,986,266
Total equity and liabilities	29,892,004	29,538,961

The notes on pages 10 to 13 are an integral part of these financial statements.

The condensed interim financial information on pages 6 to 13 were authorised for issue by the board of directors on 21 August 2020 and were signed on its behalf by:


Mr. Joseph Cortis
Director


Mr. Alfred Sladden
Director

Condensed interim statement of comprehensive income

	Period from 1 January to 30 June 2020 € (unaudited)	Period from 1 January to 30 June 2019 € (unaudited)
Revenue	512,379	591,127
Administrative expenses	(81,925)	(85,290)
Operating profit	430,454	505,837
Finance costs	(314,267)	(302,134)
Finance costs capitalised within investment property	161,679	210,750
Net finance costs expensed	(152,588)	(91,384)
Profit for the period	277,866	414,453
Earnings per share	1.11	1.66

The notes on pages 10 to 13 are an integral part of these financial statements.

Condensed interim statement of changes in equity

	Share capital €	Capital reserve €	Revaluation reserve €	Accumulated losses €	Total €
Balance at 1 January 2019	250,000	16,100,000	596,162	(888,643)	16,057,519
Comprehensive income					
Profit for the period	-	-	-	414,453	414,453
Total comprehensive income	-	-	-	414,453	414,453
Balance at 30 June 2019	250,000	16,100,000	596,162	(474,190)	16,471,972
Balance at 1 January 2020	250,000	16,100,000	596,162	(393,467)	16,552,695
Comprehensive income					
Profit for the period	-	-	-	277,866	277,866
Total comprehensive income	-	-	-	277,866	277,866
Balance at 30 June 2020	250,000	16,100,000	596,162	(115,601)	16,830,561

The notes on pages 10 to 13 are an integral part of these financial statements.

Condensed interim statement of cash flows

	Period from 1 January to 30 June 2020 € (unaudited)	Period from 1 January to 30 June 2019 € (unaudited)
Net cash generated from operating activities	411,276	537,580
Net cash used in investing activities	(161,704)	(375,095)
Net movement in cash and cash equivalents	249,572	162,485
Cash and cash equivalents at beginning of the period	131,653	154,953
Cash and cash equivalents at end of the period	381,225	317,438

The notes on pages 10 to 13 are an integral part of these financial statements.

Notes to the condensed interim financial statements

1. General information

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

The financial statements for the year ended 31 December 2019 are available upon request from the company's registered office at Cortis Buildings, Mdina Road, Zebbug ZBG 4211, Malta.

These condensed interim financial statements were approved for issue by the Board of Directors on 21 August 2020. These financial statements have not been audited nor reviewed by the company's independent auditors.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Assessment of going concern assumption

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

In view of the developments pertaining to the COVID-19 pandemic that began in early 2020, 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.

These events have a significant impact on the economy and given that a number of tenants may be in difficult financial circumstances, results expected to be registered during the financial year ending 31 December 2020 may be impacted with material adverse implications on the profitability, cash flows and financial position of the company. 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 interim 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.

Notes to the condensed interim financial statements

3. Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2020

During 2020, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2020.

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

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed interim financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2020. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 16, 'Leases'

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 required lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2020.

4. Financial risk management

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2019.

5. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, except for:

Valuation of investment property

The Company reviews the valuation of the investment property on an annual basis. In 2017, management determined the fair value of the investment property by referring to the valuation reports prepared by third party qualified valuers. The Company adjusted the book value to its revalued amount and recognised the resultant surplus in the income statement. This will be reassessed for the financial year ended 31 December 2020.

Notes to the condensed interim financial statements

6. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors, responsible for making strategic decisions. The Board of Directors considers the Company to be made up of one segment, that is, raising financial resources from capital markets to finance the capital projects of the Company. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from the leasing of immovable property.

7. Capital commitments

As at 30 June 2020, the Company entered into capital commitments amounting to €11,535 (2019: €135,000).

8. Earnings per share

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

	30 June 2020	30 June 2019
	€	€
Earnings per share	1.11	1.66

9. Related party transactions

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

The following transactions were carried out with related parties:

	30 June 2020	30 June 2019
	€	€
Improvements to investment property	(5,335)	(68,132)
Administration and management fees paid	(41,685)	(29,253)
Rental income received	-	50,000

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

The CEO was paid fees amounting to €10,000 (2019: €15,000) and other directors were paid fees amounting to €4,500 (2019: €6,000).

Notes to the condensed interim financial information - continued

10. Interest bearing borrowings

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

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

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

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

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

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

11. Contingent liabilities

No events occurred since 31 December 2019 that require disclosure of any contingent liabilities as at 30 June 2020.

12. Subsequent events

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