

CENTRAL BUSINESS CENTRES P.L.C.

Annual Report and Financial Statements
31 December 2016

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Directors' report

The directors present the audited financial statements for the year ended 31 December 2016.

Principal activities

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

Review of the business

During the period under review, the Company leased offices in the Zebbug Business Centre and Gudja Business Centre to third parties. During 2016, the Gudja Business centre reached its completion stage and related interest expense thereafter started being taken to the income statement.

The current year loss of €31,143 is partially attributable to finance costs of €168,818 which have been expensed during the year and which relate to the apportionment of interest on the Bonds in issue to the Zebbug and Gudja Business Centres – such interest costs will be compensated by the conclusion of further contracts in the Gudja Business Centre once further tenants occupy the building.

The Company's financial position at 31 December 2016 is set out on page 17. During 2016, costs relating to the continuing development of the St Julians Business Centre and restoration of the adjoining Villa Fieres were capitalised within Investment Property. Management involvement in monitoring of development of this site remains very close to ensure that costs are kept under scrutiny and for the property to align to the high end specifications of Business Centres developed by the Company.

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

The directors have assessed that the carrying value of investment property as at 31 December 2016 is reasonable and not subject to indications of impairment. In the event that general economic conditions and property market conditions experience a downturn, this may have an adverse impact on the fair value of the Company's Investment Property. The directors have no intention of disposing of this property in the foreseeable future.

During 2016 the Company entered into a promise of sale agreement with a related entity for the transfer of a large tract of land in Zebbug for development as business premises comprising a combination of uses, ranging from storage, retail and office space. The deposit placed towards the purchase of this property is included with other receivables in Note 5.

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

An analysis of exposure to price risk, credit risk, liquidity risk and cash flow risk can be found in note 2.

Results and dividends

The financial results are set out in the income statement on page 18. The directors do not propose the payment of dividends.

Directors

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

Mr. Joseph Cortis – Chairman

Mr. Anthony Cortis

Mr. Alfred Sladden

Mr. Francis Gouder

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Central Business Centres p.l.c. for the year ended 31 December 2016 are included in the Annual Report 2016, which is published in hard-copy printed form and may be 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 jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements 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

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

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.

Directors' report - continued

Principal risks and uncertainties faced by the Company - continued

Risks associated with the property market

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

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

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

Share capital structure

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

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at 31 December 2016, Anthony Cortis, Francis Cortis, Philip Cortis Joseph Cortis, Raymond Cortis and Paul Cortis each held 41,666 shares, respectively, equivalent to 100% of the Company's issued share capital.

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

Appointment and Replacement of Directors

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

Board Member Powers

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

The Articles of Association grant the Company the power to buy back its own shares in terms of the Companies Act, 1995 (Chapter 386, Laws of Malta).

Contracts with Board Members and Employees

The Company has no contract with any of its Board members that include a severance payment clause. The Company had no employees during the period ended 31 December 2016.

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.

Directors' report - continued

Pursuant to Listing Rule 5.70.1

At the year-end, the company had eight agreements for the lease of office and car spaces in the Zebbug Central Business Centre and five agreements for the lease of office space and car spaces in the Gudja Business Centre.

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 profit 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.

On behalf of the board



Mr. Joseph Cortis
CEO and Chairman



Mr. Alfred Sladden
Director

Registered office
Cortis Buildings
Mdina Road
Zebbug
Malta

13 April 2017

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 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 devising a strategy, setting policies and the management of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Throughout the period under review, the Board regularly reviewed management performance. The Company has in place systems whereby the directors obtain timely information from the Chief Executive Officer, not only at meetings of the Board but at regular intervals or when the need arises.

Chairman and Chief Executive Officer

The functions of the Chairman and Chief Executive 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.

Complement of the Board

The Board is composed of one executive and three non-executive directors, as listed below.

Executive Directors

Mr. Joseph Cortis (Chairman and Chief Executive Officer)

Corporate Governance – Statement of Compliance - continued

Non-Executive Directors

Mr. Anthony Cortis
Mr. Alfred Sladden
Mr. Francis Gouder

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.

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.

Corporate Governance – Statement of Compliance - continued

Directors' Attendance at Board Meetings - continued

The Board met formally twelve times during the period under review. The number of board meetings attended by directors for the period ended 31 December 2016 is as follows:

Members	Attended
Mr. Joseph Cortis	12
Mr. Anthony Cortis	12
Mr. Alfred Sladden	12
Mr. Francis Gouder	12

Committees

The directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently 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)
Mr. Anthony Cortis
Mr. Francis Gouder

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 Cortinthia Group in the Czech Republic between 2000 and 2010 and financial advisor of Technoline Limited between 2009 and 2013.

Anthony Cortis has been a director of the Company since its inception in June 2014. He previously held a long-standing position with S.M.W. Cortis Limited as a master craftsman in cabinet making, apertures and joinery, with over 45 years of experience in design, manufacture, factory organisation, cost control, management and customer relations.

Corporate Governance – Statement of Compliance - continued

The Members of the Audit Committee - continued

Francis Gouder served his career in the financial service sector for 45 years. He was a non-executive director of Bay Street Finance plc between January 2010 and August 2012 and is currently executive director of Izola Bank plc. Mr. Gouder presently also holds office as a non-executive director of other companies operating in varied spectrum of commercial activities.

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 determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the last Annual General Meeting was €8,000

None of the directors is employed or has a service contract with the Company.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits.

During 2015 the directors received €8,000 for services rendered (Note 14).

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.

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 13 April 2017 by:



Mr. Anthony Cortis
Director



Mr. Alfred Sladden
Director and Chairman of the Audit Committee



Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Central Business Centres p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2016, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Central Business Centres p.l.c.'s financial statements, set out on pages 17 to 38, comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - continued

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

Our audit approach

Overview



Overall materiality: €160,000, which represents 1% of total assets.

Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



Independent auditor's report - continued

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

Overall materiality	€160,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We have applied total assets as a benchmark for determining materiality as we considered that this provides us with a consistent year-on-year basis for setting materiality given that the largest property is still in the process of construction. We believe that until the respective properties start generating revenue, the Company's levels of investment property are the most appropriate basis for determining materiality, and also consider that it is the key measure used by the board and the shareholders as a body in assessing the Company's financial position.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €8,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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	How our audit addressed the Key audit matter
Valuation of investment properties	
The company's investment property comprises commercial blocks held for lease and property still under construction, which at 31 December 2016 amounted to €14.2m.	We agreed the property information in the valuation prepared by management to the underlying property records held by the Company and the full valuation report prepared by the Company's architect in 2014.
The latest full valuations were carried out in 2014. Management has performed an internal valuation as at 31 December 2016 for the properties being rented out to corroborate the 2014 valuations on the basis of projected rental streams for the properties being rented. The main assumptions include the rental rates per square metre, long-term occupancy and the rental yield. Rental rates applied vary according to the location of the property, contracted rates, as well as comparative rates for similar properties, with adjustments for differences in the size, age, location and condition of the property.	We obtained an understanding of the methodology being used and tested the accuracy of the workings within the valuation model. We engaged our own in-house specialists to review and challenge the valuation approach and assumptions used in the valuation and corroborate that the conditions remained the same in 2016. We compared the equivalent yields applied to each property to an expected range of yields taking into account available data and asset specific considerations. We also considered whether the estimated rental values are comparable to observable data on the market, taking into account the location and level of finish of the properties.



Independent auditor's report - continued

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

Key audit matter	How our audit addressed the Key audit matter
<p>The property still under construction is valued on the basis of its acquisition price and the construction costs being incurred.</p> <p>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.</p> <p>Further disclosure is included in Note 4 (Investment Property).</p>	<p>With respect to the property under development, we carried out testing to ensure that the costs were supported by available data including contracts and invoices.</p> <p>We attended meetings with management and the directors on the year-end valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.</p> <p>We concluded, based on our audit work, that the valuation was within a reasonable range.</p> <p>In addition, we evaluated the adequacy of the disclosures made in Note 4 of the financial statements, including those regarding the key assumptions.</p>

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's 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.



Independent auditor's report - continued

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

Other information - continued

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

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

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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 IFRSs as adopted by the EU and the requirements of the Maltese 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 auditor's report - continued

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

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 auditor's report - continued

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

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 the 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 5 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



Independent auditor's report - continued

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

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese 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.
- 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.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Stephen Mamo', is written over a horizontal line.

Stephen Mamo
Partner

13 April 2017

Statement of financial position

		As at 31 December	
		2016	2015
		€	€
ASSETS	Note		
Non-current assets			
Investment property	4	14,243,189	13,309,966
		14,243,189	13,309,966
Current assets			
Trade and other receivables	5	650,463	38,653
Cash and cash equivalents	6	1,247,181	2,853,623
		1,897,644	2,892,276
Total current assets			
		1,897,644	2,892,276
Total assets		16,140,833	16,202,242
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	250,000	250,000
Capital Reserve	8	10,050,000	10,050,000
Retained earnings		(30,088)	1,124
		10,269,981	10,301,124
Total equity			
		10,269,981	10,301,124
Non-current liabilities			
Borrowings	9	5,865,016	5,847,130
Current liabilities			
Trade and other payables	10	5,836	53,988
		5,870,852	5,901,118
Total liabilities			
		5,870,852	5,901,118
Total equity and liabilities		16,140,833	16,202,242

The notes on pages 21 to 38 are an integral part of these financial statements.

The financial statements on pages 17 to 38 were authorised for issue by the board on 13 April 2017 and were signed on its behalf by:


Mr. Joseph Cortis
Director


Mr. Alfred Sladden
Director

Statement of comprehensive income

		Year ended 31 December 2016	Year ended 31 December 2015
	Notes	€	€
Revenue	11	223,661	141,996
Administration expenses	13	(85,986)	(75,883)
Operating profit		137,675	66,113
Finance costs	12	(347,886)	(183,778)
Finance costs capitalised within investment property	4	179,068	135,331
(Loss)/profit for the year		(31,143)	17,666
Tax expense	15	-	-
(Loss)/profit for the year – total comprehensive income		(31,143)	17,666
Earnings per share	16	(0.13)	0.07

The notes on pages 21 to 38 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Capital reserve €	Retained earnings €	Total €
Balance at 1 January 2015		250,000	10,050,000	(16,542)	10,283,458
Comprehensive income					
Profit for the year		-	-	17,666	17,666
Total comprehensive income		-	-	17,666	17,666
Balance at 31 December 2015		250,000	10,050,000	1,124	10,301,124
Balance at 1 January 2016		250,000	10,050,000	1,124	10,301,124
Comprehensive income					
Loss for the year		-	-	(31,143)	(31,143)
Total comprehensive income		-	-	(31,143)	(31,143)
Balance at 31 December 2016		250,000	10,050,000	(30,019)	10,269,981

The notes on pages 21 to 38 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December 2016	Year ended 31 December 2015
	Notes	€	€
Cash flows from operating activities			
Cash generated from operations	17	(522,287)	(13,755)
Finance cost	12	(330,000)	(171,139)
Net cash (used in)/generated from operating activities		(852,287)	(184,894)
Cash flows from investing activities			
Purchase of investment property	4	(754,155)	(489,719)
Net cash used in investing activities		(754,155)	(489,719)
Cash flows from financing activities			
Bond proceeds	9	-	2,941,347
Net cash generated from financing activities		-	2,941,347
Net movement in cash and cash equivalents		(1,606,442)	2,266,734
Cash and cash equivalents at beginning of period		2,853,623	586,889
Cash and cash equivalents at end of period	6	1,247,181	2,853,623

The notes on pages 21 to 38 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. The financial statements have been prepared under the historical cost convention, except as modified by the fair valuation of investment property and available-for-sale financial assets.

The company entered into two subordinated loans with related parties to part finance the acquisition of the Zebbug Central Business Centres, the Gudja Central Business Centre and Villa Fieres Site in St. Julians. The parties have agreed that these loans shall be interest free, at least for a period of two years. Following this period, should it be agreed that interest will apply, this will not exceed 5%. The repayment of the principle and, if applicable, the interest is on demand. However, settlement of these loans will not be made unless the Company has sufficient funds to repay in full the principle and interest on the Bonds in issue in accordance with the terms of the Bond Issuance Programme.

The preparation of financial statements in conformity with IFRSs as adopted by the 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 (see Note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies. The following standard has been adopted by the Company during the current financial period:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

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 financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2016. 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

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

Going concern

The Company's principal activity is to act as a finance company for the development of various office 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 from 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 Malta.

In preparing these financial statements the directors of the Company have made reference to the cash flow forecast of the Company covering the years 2016 to 2018. 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.

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.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

1. Summary of significant accounting policies - continued

1.3 Investment property

Investment property, comprising commercial premises including offices, shops, showrooms and car spaces, is held for long term rental yields or for capital appreciation or both and which is not occupied by the Company is classified as investment property. Investment property comprises land and building and is measured initially at its cost, including related transaction costs. 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. These valuations are reviewed annually by the directors. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. 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.

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.

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.

1.4 Financial assets

1.4.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (note 1.5 and 1.7).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1. Summary of significant accounting policies - continued

1.4.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within 'investment and other related income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1. Summary of significant accounting policies - continued

1.4.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.5 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1. Summary of significant accounting policies - continued

1.6 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.8 Share capital

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

1.9 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1. Summary of significant accounting policies - continued

1.11 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Offsetting financial instruments

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.

1.13 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.14 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.

Rental income from investment property

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

1.15 Dividend distribution

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.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including 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 Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. 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.

(a) Market risk

(i) Foreign exchange 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.

(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 the reporting date, the Company has fixed rate interest-bearing liabilities and loans owed to related companies 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 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 (Notes 5 and 6).

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

	Note	2016 €	2015 €
Trade and other receivables	5	646,863	38,653
Cash at bank	6	1,247,181	2,853,623
		1,894,044	2,892,276

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Credit risk on funds advanced to group companies 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.

Amounts receivable arising from rental income - the Company assesses on an ongoing basis the credit quality of the third party tenants, 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 are 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 of 31 December 2015 and 2016, no trade receivables were impaired.

(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 (refer to Notes 9 and 10). 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 flows €	On demand €	Due within one year €	Between 1 and 2 Years €	Between 2 and 5 years €	After 5 years €
31 December 2015							
Bond	5,847,130	8,610,000	-	330,000	330,000	990,000	6,960,000
Trade and other payables	53,988	53,988	53,988	-	-	-	53,988
Total	5,901,118	8,663,988	53,988	330,000	330,000	990,000	7,013,988
31 December 2016							
Bond	5,865,016	7,950,000	-	-	330,000	990,000	6,630,000
Trade and other payables	5,836	5,836	5,836	-	-	-	5,836
Total	5,881,572	7,955,836	5,836	-	330,000	990,000	6,635,836

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

2. Financial risk management - continued

2.2 Fair value estimation

The fair value 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.

At 31 December 2016 and 2015 the carrying amounts of other financial instruments, comprising cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

2.3 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% and 5.25% 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 monitor 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.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these 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.

4. Investment property

	Land and buildings	
	2016	2015
	€	€
Period ended 31 December		
At 1 January	13,309,966	12,684,916
Additions	754,155	489,719
Capitalised borrowing costs	179,068	135,331
At 31 December	14,243,189	13,309,966

4. Investment property - continued

Fair valuation of property

On 31 December 2016, the directors approved the revaluation of the Company's investment property, which comprises three office blocks located in Zebbug, Gudja and St Julian's, after assessing valuation workings prepared by management. The valuation was made on the basis of net potential returns of the respective properties. The resultant valuation approximates the book value of the property and consequently no revaluation has been accounted for in the statement of comprehensive income, within income for the year.

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 land and buildings, within investment property, comprises the properties described above. The Zebbug and Gudja business centres are complete and being rented, whilst construction of the St Julian's business centre is underway and is expected to be completed and available for rental by the end of 2017. Property fair value measurements at 31 December 2016 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 2016.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. Given that there was no revaluation during the year, movements reflect additions related to capitalised costs for the year ended 31 December 2016.

Valuation processes

The most recent professional valuation was commissioned during 2014, an updated professional valuation will be prepared during 2017. On a yearly basis, management performs internal valuations to assess the fair value of the properties using projected rental streams and other unobservable inputs, including:

- rental rates varying according to the location of the property being assessed, factoring contracted agreements in force, and comparative rates available on the market for similar properties;
- rentable area available in square meters for the respective properties, derived from reports prepared by the Company's architect; and
- market related assumptions in the valuation model including long term projected occupancy rates and assumed rental yields. These are based on professional judgement and market observation.

4. Investment property - continued

The information within the valuation model prepared by management, together with the underlying assumptions are reviewed by the board of directors. This includes a review of fair value movements over the period, if any.

Valuation techniques

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 and Gudja, the annual rental value earned, adjusted for comparative rates available on the market for similar properties. The valuation model also assumes capitalisation rates which are deemed to reflect the risks inherent in the utilisation of the specific properties and long term occupancy for the respective business centres. Rental and occupancy rates factor adjustments for the respective properties to cater for differences in the size, age, location and condition of the properties; and
- in the case of the St Julian's business centre which is still under construction, thus not generating rental income, valuation is based on the contract price on acquisition during 2014, together with additional amounts capitalised for construction costs carried out.

The significant unobservable inputs in the valuation of the Zebbug and Gudja business centres include:

- average annual rental value of the properties assumed at a range between €120 and €135 per square meter, per annum, taking into account market data at the valuation date depending on the location;
- rental streams are capitalised at a rate of 6% which is deemed to reflect the risks inherent in the utilisation of the specific properties; and
- long term occupancy ranging between 90% and 95% to cater for differences in the size, age, location and condition of the properties.

In respect of these valuations, the higher the rental cash inflows, occupancy rates the higher the fair value. Conversely, the lower the capitalisation rate, the higher the fair value.

5. Trade and other receivables

	2016	2015
	€	€
Current		
Trade receivables	16,605	4,956
Other receivables	580,000	-
Indirect taxation	50,258	33,697
	646,863	38,653

6. Cash and cash equivalents

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2016 €	2015 €
Cash at bank and in hand	1,247,181	2,853,623

7. Share capital

	2016 €	2015 €
Authorised 250,000 ordinary shares of €1 each	250,000	250,000
Issued and fully paid 250,000 ordinary shares of €1 each	250,000	250,000

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.

8. Capital Reserves

The company entered into two subordinated loans with related parties on 20 November 2014 to part finance the acquisition of the Zebbug Central Business Centres, the Gudja Central Business Centre and Villa Fieres Site in St. Julians. 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. 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.

9. Borrowings

	2016 €	2015 €
Non-current		
5.75% Bonds 2021	2,919,040	2,905,685
5.25% Bonds 2025	2,945,976	2,941,445
	5,865,016	5,847,130
5.75% Bonds 2021, 5.25% Bonds 2025	2016	2015
	€	€
Proceeds	6,000,000	6,000,000
	166,015	166,015
Amortisation of gross amount of bond issue costs:		
At 1 January 2016	13,145	506
Amortisation charge for the period	17,886	12,639
	31,031	13,145
Unamortised bond issue costs	134,984	152,870
	5,865,016	5,847,130

On the 5 December, the Company issued a Prospectus for the issue of 6,000,000 Bonds having a nominal value of €100 each. Bonds were issued in two Tranches of €3,000,000 - the first tranche was issued on 22 December 2014, 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 being admitted to trading in 2014, and is redeemable at par 30 December 2021. The second Tranche being admitted to trading with effect from 29th December 2015, and is redeemable at par 30 December 2025.

9. Borrowings - continued

Interest on the Bonds issued as part of the first Tranche is payable annually 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 and to finance the demolition and excavation works of the St Julian's Central Business Centre and to finish works on the Gudja Central Business Centre.

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 St. Julian's Central Business Centre.

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

10. Trade and other payables

	2016 €	2015 €
Current		
Trade Payables	5,836	53,988
	5,836	53,988

Amounts due to related party are unsecured, interest free and repayable on demand.

11. Revenue

Revenue relates to the lease of office and car spaces in the Zebbug Central Business Centre and the Gudja Central Business Centre. When works on the St. Julian's Central Business Centre are completed, rental income will start being earned on the basis of contracts finalised with tenants.

12. Finance costs

	2016 €	2015 €
Interest payable on bonds	330,000	171,139
Amortisation of bond issue costs (Note 9)	17,886	12,639
	367,886	183,778

13. Expenses by nature

	2016 €	2015 €
Professional fees	9,071	12,225
Director's fee (Note 14)	8,000	6,250
Audit fees	3,500	3,500
Administration and management fees	35,683	24,467
Insurance	9,785	13,455
Other expenses	19,947	15,986
	85,986	75,883

Auditor's fees

Fees charged by the auditor for services rendered during the financial year ended 31 December 2016 relate to the following:

	2016 €	2015 €
Annual statutory audit	3,500	3,500
Tax and related services	500	500
	4,000	4,000

14. Directors emoluments

	2016 €	2015 €
Fees	8,000	6,250

15. Tax expense

	2016 €	2015 €
Current tax expense	-	-
	-	-

15. Tax expense - continued

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2016 €	2015 €
(Loss)/profit before tax	(31,143)	17,666
Tax at 35%	(10,900)	6,183
Tax effect of:		
Rent maintenance allowances	(17,794)	(9,104)
Unrecognised deferred tax movements	28,694	2,921
	-	-

As at 31 December 2016, the company had temporary differences arising from unabsorbed trading losses amounting to €90,326 (2015: €8,345). The related deferred tax Asset of (€31,615) (2015: €2,921) has not been recognised in these financial statements.

16. Earnings per share

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

	2016	2015
(Loss)/profit for the period	(31,143)	17,666
Weighted average number of ordinary shares in issue	250,000	250,000
Earnings per share	(0.13)	0.07

17. Cash used in operations

	2016 €	2015 €
Operating profit	137,675	66,113
Changes in working capital:		
Trade and other receivables	(611,810)	(6,799)
Trade and other payables	(48,152)	(73,069)
Cash used in operations	(522,287)	(13,755)

18. Related parties

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:

	Related Parties		
	Loan account €	Current account €	Transactions €
2015			
At 1 January 2015	10,050,000	122,500	-
Amounts repaid	-	(122,500)	-
Improvements to investment property	-	-	259,032
Administration fees and Management fees paid	-	-	24,467
	10,050,000	-	283,499

	Related Parties	
	Loan account €	Transactions €
2016		
At 1 January 2016	10,500,000	283,499
Improvements to investment property	-	107,815
Administration fees and Management fees paid	-	35,683
	10,500,000	426,997

19. Contingencies and commitments

During 2016 the Company entered into a promise of sale agreement with a related entity for the transfer of a large tract of land in Zebbug for development as business premises comprising a combination of uses, ranging from storage, retail and office space. The deposit placed towards the purchase of this property is included with other receivables in Note 5. The full contract value is estimated at €11.5 million and the transfer will be concluded during 2017. The acquisition will be funded partly by way of subordinated loan from a related party and the remaining portion by external financing which the Company intends to raise during 2017.

20. Statutory information

Central Business Centres p.l.c. is a limited liability company and is incorporated in Malta.