CENTRAL BUSINESS CENTRES P.L.C.

Annual Report and Financial Statements
31 December 2014

Company Registration Number: C 65702

Directors' report

The directors present the audited financial statements for the period ended 31 December 2014.

Incorporation

The Company was incorporated on 20 June 2014 under the terms of the Maltese Companies Act, 1995. Accordingly the financial statements of the company reflect the period from the date of incorporation to 31 December 2014.

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

On 5 December 2014 the company issued a prospectus for a €6,000,000 Bond Issue Programme to be split into two tranches of €3,000,000 each. The first tranche amounting to €3,000,000 was issued on 22 December 2014 and the second tranche will be issued in 2015. The proceeds of the bond are being 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.

During the period under review, the Company, which did not trade, registered a loss of €16,542.

The Company's financial position at 31 December 2014 is set out in the statement of financial position on page 12. As at 31 December 2014, the Company had net current liabilities of €9,558,314 mainly due to the classification as current liabilities of the Subordinated Loans amounting to €10,050,000 which are due to related companies. The loans were acquired to part finance the acquisition of the Zebbug Central Business Centres, the Gudja Central Business Centre and Villa Fieres Sites. The parties have agreed that the loans will be 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 repayment of the principal and of any eventual interest is on demand which explains why the amounts have been classified as current liabilities. However the related companies, which are fully owned by the same shareholders of Central Business Centres plc, have committed not to recall the amounts due until such time as when the Company has sufficient funds available to repay in full the principal and interest on the Bonds in issue in accordance with the terms of the Bond Issuance Programme. As a result, the Directors believe that it is appropriate to prepare these financial statements on a going concern basis.

During 2015 the company is envisaging the completion of works on the Gudja business centre and arriving at an advanced stage of construction on the St Julian's business centre.

Results and dividends

The financial results are set out in the income statement on page 13. The directors do not recommend the payment of a dividend.

Directors

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

Mr. Joseph Cortis – Chairman
Mr. Anthony Cortis
Hon. Dr. Godfrey Farrugia
Mr. Alfred Sladden

The Company's Articles of Association do not require any director to retire.

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 2014 are included in the Annual Report 2014, 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 risk 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

The company has a limited history of operations

The company is substantially a start-up operation with all the attendant risks that start-ups normally encounter. These are risks associated with the property development and real estate industry generally, including but not limited to, the lack of financial stability, risks of cost over-runs and risks of delay in completion of the Gudja and St. Julian's Central Business Centres. 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 completive 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 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 2014, 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 2014.

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

Disclosure in terms of the Listing Rules - continued

Pursuant to Listing Rule 5.70.1

At the year-end, the company has an agreement with 8 companies for the lease of office and car space in the Zebbug Central 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

24 April 2015

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") believe in the adoption of the Code and has endorsed them 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. The directors are the same as those at the date of incorporation of the Company.

Executive Directors

Mr. Joseph Cortis (Chairman and Chief Executive Officer)

Corporate Governance – Statement of Compliance - continued

Non-Executive Directors

Mr. Anthony Cortis
Hon. Dr. Godfrey Farrugia
Mr. Alfred Sladden

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 advise 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 one time during the period under review. The number of board meetings attended by directors for the period ended 31 December 2014 is as follows:

Members	**Attended**
Mr. Joseph Cortis	1
Mr. Anthony Cortis	1
Hon. Dr. Godfrey Farrugia	1
Mr. Alfred Sladden	1

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 established an Audit Committee (the "Committee") in 2014 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. Joseph Cortis
Hon. Dr. Godfrey Farrugia

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.

Joseph Cortis has been involved in the management of the Cortis Group since 1998, holding the position of Chairman and Chief Executive Officer of the Cortis Group. In his role as Chief Executive Officer, Joseph Cortis was particularly responsible for the strategy of the Cortis Group and its future growth. He has actively participated as a member of various committees and councils such as the Federation of Industry Council, the Malta Chamber of Commerce and the Malta Institute of Management. Joseph Cortis oversaw the management of the Zebbug Central Business Centre from the development of the said property throughout the rental of the commercial spaces forming part of the said property, and is involved in overseeing its management to date.

Corporate Governance – Statement of Compliance - continued

The Members of the Audit Committee - continued

The Hon. Godfrey Farrugia is currently a Member of Parliament having been appointed to Head of the Parliamentary Delegation to the Parliamentary Assembly of the Organisation for Security and Co-operation for Europe, a member of the Standing Committee on Social Affairs and Chairperson of the Parliamentary Working Committee on Diabetes Mellitus. He is concurrently an established general medical practitioner practicing primarily at a community centre providing health services with a focus on primary health care. Dr. Godfrey Farrugia's experience in the property development business includes the setting up a number of health clinics in different parts of Malta as well as the purchase and development of a number of private properties for resale.

The Committee did not meet during period to 31 December 2014.

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 €6,000.

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.

The directors did not receive remuneration for services rendered during 2014.

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 24 April 2015 by:

Mr. Alfred Sladden Director and Chairman of the Audit Committee	Hon. Dr. Godfrey Farrugia Director

pwc

Independent auditor's report

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

Report on the Financial Statements for the period ended 31 December 2014

We have audited the financial statements of Central Business Centres p.l.c. on pages 12 to 30 which comprise the statement of financial position as at 31 December 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the period then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act 1995 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements

- give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on 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.

Independent auditor's report - continued

Report on Corporate Governance - continued

We read the Statement of Compliance and considered 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 return.

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 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- 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, QRM3101,
Malta

Simon Flynn
Partner

24 April 2015

Statement of financial position

	Note	As at 31 December 2014 €
ASSETS		
Non-current assets		
Investment property	4	12,684,916
Current assets		
Trade and other receivables	5	31,854
Cash and cash equivalents	6	586,889
Total current assets		618,743
Total assets		13,303,659
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	7	250,000
Retained earnings		(16,542)
Total equity		233,458
Non-current liabilities		
Borrowings	8	2,893,144
Current liabilities		
Borrowings	8	10,050,000
Trade and other payables	9	127,057
		10,177,057
Total liabilities		13,070,201
Total equity and liabilities		13,303,659

The notes on pages 16 to 30 are an integral part of these financial statements.

The financial statements on pages 12 to 30 were authorised for issue by the board on 24 April 2015 and were signed on its behalf by:

Mr. Joseph Cortis
Director

Mr. Alfred Sladden
Director

Income statement

	Notes	Period from 20 June 2014 to 31 December 2014
		€
Administrative expenses	12	(16,542)
Operating loss		(16,542)
Finance costs	11	(5,063)
Finance costs capitalised within investment property		5,063
Loss for the period		(16,542)
Earnings per share	14	0.07

The notes on pages 16 to 30 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Comprehensive income				
Loss for the period		-	(16,542)	(16,542)
Total comprehensive income		-	(16,542)	(16,642)
Transactions with owners				
Issue of share capital	7	250,000	-	250,000
Total transactions with owners		250,000	-	250,000
Balance at 31 December 2014		**250,000**	**(16,542)**	**233,458**

The notes on pages 16 to 30 are an integral part of these financial statements.

Statement of cash flows

	Notes	Period from 20 June 2014 to 31 December 2014 €
Cash flows from operating activities		
Cash generated from operations	15	74,104
Net cash generated from operating activities		74,104
Cash flows from investing activities		
Purchase of investment property	4	(12,679,853)
Net cash used in investing activities		(12,679,853)
Cash flows from financing activities		
Loans from related parties	8	10,050,000
Bond proceeds	8	2,892,638
Issue of share capital		250,000
Net cash generated from financing activities		13,192,638
Net movement in cash and cash equivalents		586,889
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	6	586,889

The notes on pages 16 to 30 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.

As at 31 December 2014, the Company had net current liabilities of €9,558,314 mainly due to the classification as current liabilities of the Subordinated Loans amounting to €10,050,000 which are due to related companies. The loans were acquired to part finance the acquisition of the Zebbug Central Business Centres, the Gudja Central Business Centre and Villa Fieres Sites. The parties have agreed that the loans will be 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 repayment of the principal and of any eventual interest is on demand which explains why the amounts have been classified as current liabilities. However the related companies, which are fully owned by the same shareholders of Central Business Centres plc, have committed not to recall the amounts due until such time as when the Company has sufficient funds available to repay in full the principal and interest on the Bonds in issue in accordance with the terms of the Bond Issuance Programme. As a result, the Directors believe that it is appropriate to prepare these financial statements on a going concern basis.

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 2014

In 2014, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2014. 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 2014. 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. The complete version of IFRS 9 was issued in July 2014. 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 group 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 2015 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 Financial assets - 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 Financial assets - 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	2014 €
Other debtors	5	31,854
Cash at bank	6	586,889
		618,743

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 2014, 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 8 and 9). 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 2014							
Bond	2,893,144	4,207,500	-	172,500	172,500	517,500	3,345,000
Loans from related parties	10,050,000	10,050,000	-	-	-	-	10,050,000
Trade and other payables	127,057	127,057	127,057	-	-	-	-
Total	**13,070,201**	**14,384,557**	**127,057**	**172,500**	**172,500**	**517,500**	**13,395,000**

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 2014 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 6.75% 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 2014 €
Period ended 31 December	
Additions	**12,679,853**
Capitalised borrowing costs	**5,063**
At 31 December	**12,684,916**

Land and buildings were transferred from related companies during 2014. The directors have made an assessment at the year end and determined that the related transaction price reflects the fair value of land and buildings included in investment property at the year end.

5. Trade and other receivables

	2014
	€
Current	
Advance payments	**19,907**
Other debtors	**11,947**
	31,854

6. Cash and cash equivalents

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

	2014
	€
Cash at bank and in hand	**586,889**

7. Share capital

	2014
	€
Authorised	
250,000 ordinary shares of €1 each	**250,000**
Issued and fully paid	
250,000 ordinary shares of €1 each	**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. Borrowings

	2014
	€
Non-current	
5.75% Bonds 2021	**2,893,144**
Current	
Loans from related parties	**10,050,000**
	12,943,144

5.75% Bonds 2021	**2014**
	€
Proceeds	**3,000,000**
Gross amount of bond issue costs	**107,362**
Amortisation of gross amount of bond issue costs:	
Amortisation charge for the period	**506**
Accumulated amortisation at end of period	**506**
Unamortised bond issue costs	**106,856**
Amortised cost and closing carrying amount	**2,893,144**

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 will be 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 will be issued during 2015. 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 will bear interest of 6% and will be redeemable during 2025 in accordance with the provisions of the Prospectus.

Interest on the Bonds issued as part of the first Tranche is payable annually in arrears, on 30 June and 31 December of each year, the first payment will be 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.

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.

8. Borrowings - continued

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 Sites. 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 repayment of the principle and the interest is on demand, however settlement will be made once 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.

9. Trade and other payables

	2014
	€
Current	
Amounts due to related party	122,500
Accruals and deferred income	4,557
	127,057

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

10. Revenue

Revenue will be earned from the lease of office and car spaces in the Zebbug Central Business Centre as from 1 January 2015 in line with the terms stipulated in the Company's propsectus dated 5 December 2014. When works on the Gudja and St. Julian's Central Business Centres are completed, rental income will start being earned on the basis of contracts finalised with tenants.

11. Finance costs

	2014
	€
Interest payable on bonds	4,557
Amortisation of bond issue costs (Note 8)	506
	5,063

12. Expenses by nature

	2014 €
Professional fees	15,776
Other expenses	766
Total administrative expenses	16,542

Auditor's fees

Fees charged by the auditor for services rendered during the financial period ended 31 December 2014 relate to the following:

	2014 €
Annual statutory audit	3,500
Tax and related services	500
	4,000

13. Tax expense

	2014 €
Current tax expense	-
	-

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

	2014 €
Loss before tax	(16,542)
Tax at 35%	(5,790)
Tax effect of:	
Unrecognised deferred tax movements	5,790
	-

14. 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.

	2014
Loss for the period	(€16,542)
Weighted average number of ordinary shares in issue	250,000
Earnings per share	(€0.07)

15. Cash used in operations

	2014 €
Operating loss	(16,542)
Adjustments for:	
Amortisation of bond issue costs	506
Changes in working capital:	
Trade and other receivables	(31,854)
Trade and other payables	121,994
Cash generated from operations	74,104

16. 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 €
2014			
Amounts advanced	10,050,000	122,500	-
Purchases of investment property	-	-	12,600,000
At end of period	10,050,000	122,500	12,600,000

17. Statutory information

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