



FINANCIAL ANALYSIS SUMMARY

Central Business Centres plc

20<sup>th</sup> April 2017



The Directors  
Central Business Centres plc,  
Cortis Buildings,  
Mdina Road,  
Zebbug, Malta, ZBG 4211

20<sup>th</sup> April 2017

Dear Sir,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Central Business Centres plc. ("the issuer"). The data is derived from various sources or is based on our own computations as follows:

- (a) The forecast data for the financial years ending 31<sup>st</sup> December 2017 to 31<sup>st</sup> December 2018 have been provided by management.
- (b) Our commentary on the results of Cortis Group ("the Group") and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
- (c) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (d) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed Bond Issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the bonds.

Yours sincerely,



Nick Calamatta

Director

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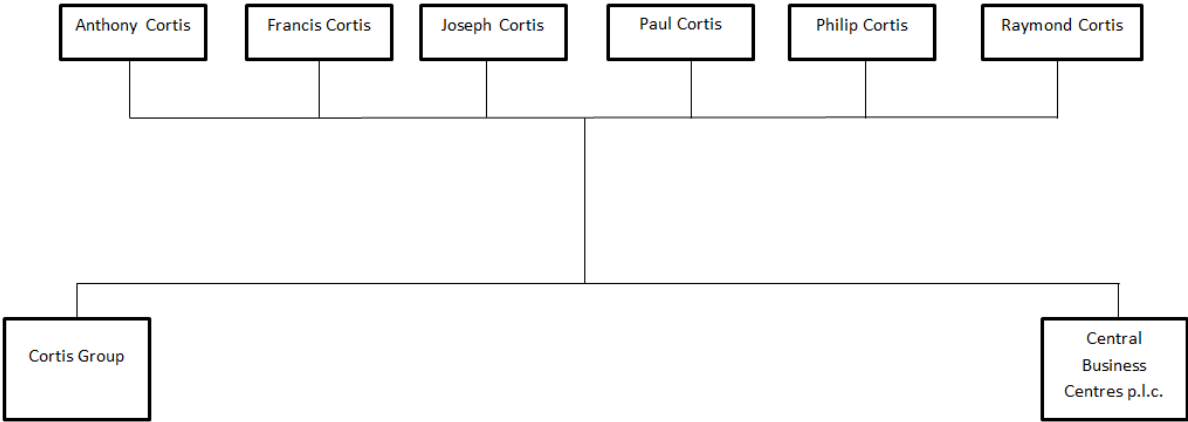
# 1. Scope of Analysis

In line with the Listing Authority Policies of the MFSA, this Financial Analysis Summary “FAS” represents an update to the one originally published on the 20<sup>th</sup> August 2015 as part of the prospectus in relation to the issue of the €6 million Unsecured Bonds issuance programme and any update provided by the company thereafter. The scope of this FAS is to provide an update on the performance and financial position of Central Business Centres p.l.c (“the issuer”).

# 2. Information about the Issuer

## 2.1 Issuer’s key activities

Central Business Centres plc. (CBC) was established as a sister company with the same shareholding structure as SMW Cortis Ltd. CBC is a licenced company registered with the Malta Financial Services Authority (registration number 65702). The principal activity of Issuer is to hold commercial property for investment purposes and generate returns from this property through rental. The company’s aim is to develop the “Central Business Centre” brand by emulating the success of the Group’s business centre in Zebbug which has been generating a steady flow of rental returns since its opening in 2011.



Cortis Group refers to S.M.W. Cortis Limited and the S.M.W. Cortis Subsidiaries. Central Business Centre plc (“the Issuer”) was established as a sister company to the group.

S.M.W. Cortis Limited and its subsidiaries are active in the following areas:

- ◇ SMW Cortis Ltd - manufacturer and supplier of indoor and outdoor furniture and joinery
- ◇ Cortis Timber & Wood Products Ltd - Import, distribution and retail of timber
- ◇ Lapsi Court Limited - Property development
- ◇ Alcor Trading Limited - Aluminium products suppliers
- ◇ Calibre Industries Limited - Architectural aluminium, glazing, steel, timber and turnkey projects
- ◇ Precision Optical Limited - Lens manufacturer and importer of eyewear and related products and operator of outlets.
- ◇ EVS Ltd - Import and distribution of electric vehicles. This company is currently dormant.

## **2.2 History of the company**

In 2014, upon its incorporation, CBC acquired three properties from the Cortis Group - a group of companies under common ownership.

The three properties comprised:

1. A business centre in Zebbug (acquisition also included the contracts with tenants already in place);
2. A plot of land in Gudja, together with a shell structure for commercial use;
3. A plot of land and an old villa with adjoining gardens in St Julian's, together with permits for the restoration of the villa and the development of a third business centre for commercial use.

At the same time, the Company set up a €6,000,000 Bond Issuance programme which was approved by the MFSA on 5 December 2014. On 22 December CBC issued €3million 7-year bonds at 5.75%, and on 4 December 2015 it issued a further €3million 10-year bond at 5.25%.

Since 2014, the land in Gudja has been fully developed and the first tenants entered the premises as from 1 December 2015. The property is further described later on in this section of the report.

Works are in progress on the land held in St. Julian's. Excavation works were completed in May 2016 and the development stage of the project is currently underway. Management is projecting that the property will start being rented out from the last quarter of 2017.

Work on the villa (Villa Fieres) in St. Julian's is ongoing, together with the development in St Julian's mentioned above.

## **2.3 Shareholders**

The current shareholders of the group are:

- Joseph Cortis – Chairman and CEO
- Anthony Cortis

- Francis Cortis
- Philip Cortis
- Raymond Cortis
- Paul Cortis

Each of the shareholders hold an equal share in the Company. The same shareholders own an equal holding in S.M.W. Cortis Limited which together with its subsidiaries forms the Cortis Group of companies.

## ***2.4 Directors and Executive Management***

### **BOARD OF DIRECTORS**

The Board of Directors of the Issuer is composed of the following persons:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>
Joseph Cortis	Executive Director, Chairman	20.06.2015
Anthony Cortis	Non - Executive Director	20.06.2015
Alfred Sladden	Non - Executive Director	20.06.2015
Francis Gouder	Non-Executive Director	27.08.2015

The business address of all of the Directors is the registered office of the Issuer. Below is a short curriculum vitae of each of the Directors.

Alfred Sladden - Alfred Sladden commenced his career at Barclays Bank, Malta, in 1954 until his appointment to senior training manager with Barclays Bank, London, in 1968. He held such office for three years until 1971. Throughout the years that followed, Alfred Sladden continued to hold several posts with credit institutions, including manager of various branches of Barclays Bank, credit advisor of Bank of Valletta, head of internal audit at Mid-Med Bank, Assistant General Manager on administration, and Assistant General Manager of the international finance division as well as Deputy General Manager on corporate strategy at Mid-Med Bank. In 1994, he was appointed General Manager of Investment Finance Bank and held such post until 1995 whilst also holding the post of director of Mid-Med Life Insurance until 1996. He also held the post of general manager of finance and operations at Mid-Med Bank between 1995 and 1998. Between 1998-1999 he was appointed chairman of Maltapost and the Foundation for Medical Services. For nine years, between 1999-2008 he held a part time post as Financial Adviser of the Eurochange Financial Services whilst simultaneously holding a part time post as Chairman of the VAT Appeals Board from 1999 until 2011. He was Executive Director of an affiliate company of the Corinthia Group of the Czech Republic between 2000 and 2010 and also held the post of financial adviser of Technoline Ltd between 2009-2013.

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

Joseph Cortis - Joseph Cortis has been involved in the management of the Cortis Group since 1988, 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 actively involved in overseeing its management to date.

Francis Gouder - Francis Gouder was appointed as a non-executive director on the 27th August 2015. Mr Gouder served his career in the Financial Services sector for 45 years. He was a non-executive director of Bay Street Finance Plc between January 2010 and August 2012 and is currently non-executive director of Izola Bank pk. Mr Gouder currently also acts as a non-executive director of other companies operating in a different spectrum of commercial activities.

## ***2.5 Major assets owned by the group***

The main assets held by the business include:

- ◇ Central Business Centre - Zebbug;
- ◇ Central Business Centre - Gudja;
- ◇ Lapsi Court and Villa Fieres (under development) - St Julian's;
- ◇ Other developments - The Company is in the process of acquiring an additional property in Zebbug earmarked for commercial development from S.M.W. Cortis Limited.

### ***2.5.1. Further details about each property***

#### **Zebbug Property**

Central Business Centre - Zebbug was acquired by the issuer from S.M.W Cortis Ltd. It is in a finished state and fully rented out to 3rd parties.

- ◇ The property was developed in 2011/12 on land acquired by the Group in 2002
- ◇ The property was independently valued by Arch. A. Fenech Vella on 30th October 2014 at €3.7m.

- ◇ It was purchased at €3.7million and the consideration will comprise €2.3m in cash and €1.4m by means of a subordinated loan from S.M.W. Cortis Ltd.
- ◇ The property comprises 1,509 Sqm of office space, over 5 floors (including ground floor, intermediate floor, levels 1, 2 and a penthouse at level 3). Additionally, there are 27 parking spaces at underground levels 1 and 2.
- ◇ Based on management information, current occupancy for the office space and car spaces is 100%. Rent agreements signed with tenants cater for an increase in rent of around 5% to 6% every three years from the start of the contract. First rent revisions came into force in June 2014 with a further batch of contracted rents revised in FY15. In addition to the rent, tenants pay a maintenance fee which is equivalent to 10% of the rent due. This amount is used by the Company to fund annual maintenance, administration and common area costs.

### Gudja Property

- ◇ The issuer acquired the property for €2.4m from S.M.W. Cortis. The purchase was settled by means of subordinated loan from S.M.W. Cortis Ltd.
- ◇ The business centre in Gudja is complete and comprises of a basement, extending to under half the width of the adjacent drive-in and 2 upper levels for commercial use.
- ◇ The property is situated on a main road artery, a few minutes from Malta International Airport and within close proximity to the Freeport.
- ◇ On 30th October 2014, Arch. A. Fenech Vella valued the property at €2.4m.
- ◇ The project comprises approximately 1,365 Sqm of office space over 3 floors including the ground floor as well as 555 Sqm of commercial space at basement level.
- ◇ 19 car spaces are available, 7 of these car spaces at basement level, whilst a further 12 spaces are open air spaces adjacent to the building.
- ◇ The building is now operational with occupancy of 80%. All rental agreements are subject to a 6% increase in rent every three years from the start date of the contract. Each tenant is charged a maintenance allowance equal to 10% of the rental value, as agreed upon in the rental contracts.

### St. Julian's Property

#### Current State

The issuer owns property in Spinola, St Julian's comprising:

- ◇ Villa Fieres and adjoining gardens (Lapsi Court), currently owned by CBC plc. The total area covers approx. 1,100Sqm the building itself occupies a footprint of approximately 200 Sqm and has 2 floors and a semi-basement. The garden covers approximately 900 Sqm.



- ◇ An area of approximately 897 Sqm adjoining Villa Fieres on Spinola square currently owned by CBC plc. The area is currently occupied at ground floor level by 7 outlets, 3 of which are rented out to 3rd parties on long-term leases.
- ◇ The Cortis group acquired Fieres Ltd in May 2002. Arch. A. Fenech Vella valued the property at €6.5million on 30 October 2014. The properties were acquired by the issuer for €6.5million and the purchase price was settled by means of subordinated loans from the Cortis Group companies.

#### Proposed Development Underway

- ◇ The restoration of Villa Fieres. Management explained that the building has permits for commercial and/or residential use and is intended for rental to 3rd parties either as a high-end restaurant location or as a residence for high net worth individuals
- ◇ The development of c. 2,360 Sqm of office space targeted at medium-sized leases (250-500 Sqm per tenant). The building will comprise 2 floors at 550 Sqm each, 2 floors at 480 Sqm each and 1 floor at 300 Sqm)
- ◇ Develop the ground floor level of the Villa Fieres Site into retail outlets. The four outlets which have already been vacated shall be converted into a ground floor entrance to the Central Business Central and four (smaller) retail outlets of 45 square metres of retail space shall be developed. The remaining three outlets are expected to be developed into new retail outlets once vacated.

The property is currently under development, with excavation works complete and construction of the property in process. The development is expected to be completed by Q3 2017. Management expect first rental agreements on the property to become effective from the fourth quarter of 2017.

### 3. Review of the business

The property market in Malta has been gaining pace in recent years in the form of higher demand for high quality office space and residences. The increase has been the result of several international as well as local companies seeking to improve the working place for their employees, in part to improve employee retention and well-being. The drive has been from the services sector, where employers as well as employees are becoming increasingly more sophisticated in their choices due in part to their professional statuses, as reputation and image has become increasingly important. Trends indicate that quality office spaces in office blocks are becoming increasingly attractive to employers wishing to attract additional staff.

Subsequently, there is active demand for the rental of commercial property generally. The Directors are confident that the spaces of the properties forming part of the project will be successfully leased out by third parties in view of this continuing demand. In addition to the foregoing, the Directors are confident in that the development and/or finishing of the properties shall be, barring unforeseen circumstances, smooth-running and timely particularly in view of the experience that the Cortis Group has acquired in its business of property development and construction.

The office blocks and parking spaces forming part of the Project will aim to attain that objective. The Project is geared towards the development of small to medium sized office space, which, in the opinion of the Directors represents a vacuum in the real-estate local market which has seen the construction and development of larger scale commercial property projects.

## 4. Performance Review

All financial information presented in this section was derived from the audited accounts of the issuer or supplied by management. Given that the majority of the Company's projects were not yet complete during the period under review, Management does not consider the FY14 and FY15 results to be reflective of the Company's future performance.

### 4.1 Income Statement

€'000	FY14	FY15	FY16	
Turnover	-	142	224	1
Operating Expenses	(17)	(76)	(86)	2
Reported EBIT	(17)	66	138	
Finance Costs	(5)	(184)	(348)	3
Finance costs capitalised	5	135	179	4
Profit for the year	(17)	17	(31)	
Earnings per share	-	0.07	(0.13)	

1. Revenue is all derived from rental income and maintenance fees charged to tenants occupying premises in CBC's rental properties.
2. Operating expenses are primarily administration and management fees, professional fees and insurance.
3. Finance costs relate to the annual interest expense incurred on outstanding debt and the annual amortisation of the bond issue costs which in FY16 amounted to €17.9k.
4. Finance costs capitalised reflect the part interest incurred on debt which is directly linked with development projects still under construction. Interest is capitalised until the development of the respective property is complete. This is reflected as an increase in the value of Investment property.

#### 4.2 Revenue

€'000	FY14	FY15	FY16	
Zebbug central Business Centre	-	122	146	1
Gudja Business Centre	-	4	58	2
<b>Total rental Income</b>	-	126	204	
<b>Other income</b>	-	16	20	3
<b>Total Revenue</b>	-	142	224	

1. The purchase agreement of the Zebbug Business Centre by CBC provided that all income derived from the property until 31 December 2014 were to be earned by S.M.W. Cortis, the previous owner of the property, while all income from the property derived from the 1st January 2015 would accrue to CBC. As per Management, the Zebbug Central Business Centre is currently 100% occupied.
2. Rental income from Gudja Business Centre reflects the rental income earned from three new tenants occupying Gudja Business Centre whose lease agreement was effective from the first of December 2015.
3. Other revenue is primarily composed of Maintenance fee income amounting to approximately 10% of rental income as stipulated in rental agreements.

#### 4.3 Income Statement Variance

€'000	FY16A	FY16P	Variance
<b>Turnover</b>	224	214	10
<b>Operating Expenses</b>	(86)	(51)	(35)
<b>Reported EBIT</b>	138	163	(25)
<b>Finance Costs</b>	(348)	(353)	(5)
<b>Finance costs capitalised</b>	179	142	37
<b>Profit for the year</b>	(31)	(48)	17
<b>Earnings per share</b>	(0.13)	(0.20)	0.07

In the above table the income statement variance analysis in financial year 2016 against previously projected results.

#### 4.4 Balance Sheet

€000	Dec 14	Dec 15	Dec 16	
<b>Assets</b>				
Investment Property	12,685	13,310	14,243	1
Non- current assets	12,685	13,310	14,243	
Trade and other receivables	32	39	650	
Cash	587	2,854	1,247	
Total current assets	619	2,893	1,898	
Total assets	13,304	16,202	16,141	
<b>Equity</b>				
Share capital	250	250	250	
Capital reserve	10,050	10,050	10,050	2
Retained earnings	(17)	1	(30)	
Total equity	10,283	10,301	10,270	
<b>Liabilities</b>				
Borrowings	2,893	5,847	5,856	3
Total non-current liabilities	2,893	5,847	5,856	
Trade and other payables	127	54	6	
Total current liabilities	127	54	-	
Total liabilities	3,020	5,901	5,871	
Total equity and liabilities	13,304	16,202	16,141	

1. Investment property is composed of three separately identifiable assets, namely the Zebbug Central Business Centre, The Gudja Business Centre and Property in St Julian's held for development. The increase from FY14 to FY15 was driven by an investment of €490k related to development works in Gudja and minor expenses incurred in connection with the development in St Julian's and a capitalisation of €135k in interest incurred on debt directly linked with investment property still under development.

The increase from FY15 to FY16 was primarily driven by development works undertaken on the St Julian's property and a capitalisation of €179k in interest incurred on debt directly linked with investment property still under development.

2. Trade and other receivables in FY16 include a balance of €580k due from S.M.W. Cortis which reflects the deposit paid by the Company on the signing of the promise of sale agreement to acquire the land in Zebbug earmarked for the proposed development.

3. The entire €10,050k Capital reserve relates to two subordinated loans with related parties, which under IAS 8 are classified as equity. The company entered into the subordinated loan agreements to part finance the acquisition of the Zebbug Central Business Centre, the Gudja Central Business Centre and Villa Fieres sites. The terms of the Subordinated loan agreements stipulate that these loans will not be settled unless the company has sufficient funds to repay in full the principle and interest on the bonds in issuance in accordance with the terms of the Bond Issuance Programme. In the Audited Financial Statements of CBC plc dated 31 December 2014, the entire €10,050k subordinated loans balance was reported as borrowings in Current liabilities. This was subsequently restated in the Audited Financial Statements issued thereafter.

The Company has an additional €400k subordinated loan facility from S.M.W. Cortis Limited in place which as at 30 June 2016 was not withdrawn. This was extended to finance any cash shortfalls the Company may have during the St. Julian's development. Management indicated that this subordinated loan facility will remain in place.

4. CBC plc issued a bond of €3m on 22 December 2014 and another bond of €3m from the same issuance programme on the 24th of December 2015. The net proceeds of these funds were used to part finance the acquisition of the properties acquired in FY14 and to finance the development of St. Julian's Central Business Centre. Borrowings are presented net of bond issue costs. The bond issue cost is amortised over the term of the debt instrument. The nominal balance of debt securities in issue amounts to €6m.

#### 4.5 Cash Flow Statement Review

€000	FY14	FY15	FY16
Cash flows from operating activities			
EBITDA	(17)	66	138
Movement in long-term trade receivables	(31)	7	(612)
Movement in long-term trade payables	122	73	(48)
Finance costs paid	-	(171)	(330)
Net operating cash flows	74	(185)	(852)
Cashflow from investing activities			
Purchase of Investment property	(12,680)	(490)	(754) 1
Net cash used in investing activities	(12,680)	(490)	(754)
Cash flows from financing activities			
Loans from related parties	10,050	-	-
Bond proceeds	2,893	2,941	- 2
Issue of share capital	250	-	-
Net cash used in financing activities	13,193	2,941	-
Net movement in cash flows	587	2,267	(1,606)
Cash and cash equivalents at beg of year	-	587	2,854
Cash and cash equivalents at end of year	587	2,854	1,247

1. Purchase of investment property in FY14 relates to the acquisition of the three distinct properties in Zebbug, Gudja and St. Julian's as indicated in the first section of the report. The €12.68m acquisition value was financed up to €8.05m through a subordinated loan agreement from S.M.W. Cortis Limited, €2m through a subordinated loan agreement with Lapsi Court Limited, €250k through share capital and the remainder was settled in cash. Purchase of investment property in FY15 primarily related to capital expenditure to complete the property in Gudja.
2. Bond proceeds are presented net of bond issue costs. A bond with a nominal value of €3m, a coupon of 5.75% and a maturity date of 2021 was issued on the 22 December 2014. A second tranche of the bond with a nominal value of €3m, a coupon of 5.25% and a maturity date of 2025 was issued on the 29 December 2015. Bond liabilities are reported net of issue cost, with issue costs amortised annually over the term of the bond.

## 5. Projected Financials

The information used in order to present the projected financial information below was supplied by the management of the issuer.

### 5.1 Income Statement

The projected Income Statement and Statement of financial position presented in this section represent management's financial projections pertaining to the Group for the current year and FY2018.

€000	FY17F
Total rental income	471
Administrative fees charges	47
Revenue	519
Overheads	(142)
EBITDA	376
Fair Value movement – Inv. Prop	757
Interest Income on Investments	-
Amortisation of bond issue cost	(29)
EBIT	1,105
Interest expense	(136)
Profit before tax	969
Taxation	-
Profit after tax	969

Assumptions used:

- Tax expense relates entirely to tax on rental income projected at a flat rate of 15% in accordance with existing tax legislation. The tax charge is calculated using the 35% tax regime in 2017 resulting in a nil tax charge for the year.
- Interest income is projected at a flat rate of 0.5% on excess cash transferred to investments.
- The company is currently in the final stages of undertaking a new project, which has been included in the forecasts
- Interest incurred on debt allocated to properties under development is capitalised.

Revenue growth is primarily driven by the completion and subsequent rental of the properties in St. Julian's.



## 5.2 Balance Sheet

€000	FY17F
Assets	
Investment property	28,973
Investments	-
Trade and other receivables	70
Cash and Cash Equivalents	0
<b>Total Assets</b>	<b>29,044</b>
Equity and Liabilities	
Non-current liabilities	
Borrowings (bonds)	11,774
<b>Total borrowings</b>	<b>11,774</b>
Trade and other payables	-
<b>Total Liabilities</b>	<b>11,774</b>
Equity	
Share Capital	250
Quasi Capital	16,081
Revaluation reserve	757
Retained earnings	182
<b>Total Equity</b>	<b>17,269</b>
<b>Total Equity and Liabilities</b>	<b>29,044</b>

### Assets

- ◇ Investment property in December 2017 includes management's estimates of the revaluation of property and includes development costs and capitalised interest incurred over the financial year ended 31 December 2017. No further property revaluations have been included in the projections.
- ◇ Excess cash is assumed to be invested in short term investments yielding 0.5% p.a.

### Liabilities

- ◇ Bond borrowings include existing bonds in issue as well as further third party financing.

### Equity

- ◇ Quasi equity consists of Subordinated debt due to S.M.W. Cortis Group arising on the acquisition of investment property. The subordinated debt incurs no interest and is repayable after full repayment of the outstanding bonds.

### 5.3 Cashflow Statement

€000	FY17F
Cash flows from operating activities	
EBITDA	376
Movement in working capital	574
Tax	-
Net operating cash flows	951
Cashflow from investing activities	
Purchase of Investment property	(11,500)
Development and finishing costs	(2,121)
Short term Investments	-
Interest Income on Investments	-
Net cash used in investing activities	(13,621)
Cash flows from financing activities	
Bond Proceeds	5,880
Bank refinancing	-
Bond repayment	-
Interest payable on facilities	(488)
Quasi equity	6,031
Net cash used in financing activities	11,424
Net movement in cash flows	(1,247)
Cash and cash equivalents at beg of year	1,247
Cash and cash equivalents at end of year	0
Short term investments	-
Total Liquidity Level	0
Subordinated Loan facility	169
Headroom	169

Source: Management Information

#### Notes to Cashflow statement

##### Investing cash flows

- ◇ Acquisition of investment property relates to the cost of a new site in Zebbug which the company intends to develop in the near future. A deposit of €580k has already been paid and is reflected in the movement in working capital.
- ◇ Development costs include payments for development and finishing costs relating to St Julian's (FY17: €1,723k) and the New Zebbug site (FY17: €398k).
- ◇ Investment and disposal of short-term investments are projected based on cash flow requirements.

Financing cash flows - The forecasts assume the issuance of a new bond to the general public to finance a new development in Zebbug.

## 6. Summary of Analysis

<i>€000's unless otherwise indicated</i>	2015	2016	2017F
<b>Income Statement</b>			
<i>Revenue</i>	142	224	471
<i>Growth (YoY)</i>	0	57.7%	110.3%
<i>Operating Income (EBIT)</i>	66	138	1,105
<i>Operating Margin</i>	46.5%	61.6%	234.6%
<i>Net Income</i>	17	(31)	969
<i>Net Margin</i>	12.0%	-13.8%	205.7%
<i>Earnings per share</i>	0.07	(0.13)	3.88
<b>Balance Sheet</b>			
<i>Cash and Cash Equivalents</i>	2,854	1,247	-
<i>Total Current Assets</i>	2,893	1,898	70
<i>Total Non-Current Assets</i>	13,310	14,243	28,974
<i>Total Assets</i>	16,202	16,141	29,044
<i>Total Current Liabilities</i>	54	-	-
<i>Total Non-Current Liabilities</i>	5,847	5,856	11,774
<i>Total Debt</i>	5,847	5,856	11,774
<i>Total Equity</i>	10,301	10,270	17,269
<i>Net Debt</i>	2,993	4,609	11,774
<b>Cashflow</b>			
<i>Cash from Operations</i>	(197)	(852)	951
<i>Capex</i>	491	754	13,621
<i>Free Cash Flow</i>	(688)	(1,606)	(12,670)
<b>Ratios</b>			
<i>Profitability</i>			
<i>Return on Common Equity</i>	0.17%	-0.30%	5.61%
<i>Return on Assets</i>	0.10%	-0.19%	3.34%
<i>Solvency</i>			
<i>Net Debt / Total Equity</i>	0.29	0.45	0.68
<i>Net Debt / Assets</i>	0.18	0.29	0.41
<i>Net Debt / EBIT</i>	45.35	33.40	10.66
<i>Current Ratio</i>	53.57	N/A	N/A
<i>Net Debt/CFO</i>	-0.07	-0.18	0.08
<i>CFO/EBIT</i>	-2.98	-6.17	0.86
<i>Interest Coverage</i>	38.6%	41.8%	226.4%
<b>Reference Items</b>			
<i>Issued Share Capital</i>	250	250	250

## 7. Listed debt and other securities of the Issuer and its related parties

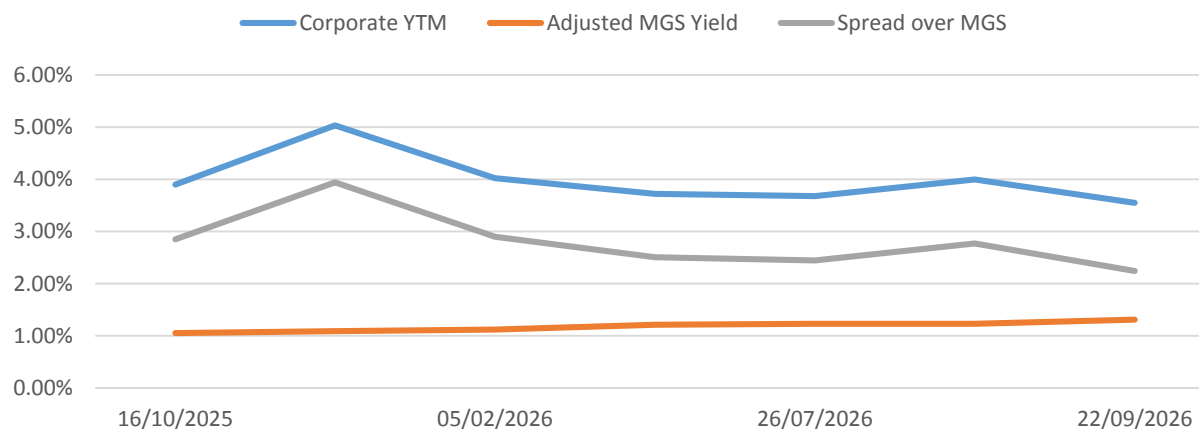
Issuer / Related Company	Definition of Relationship	List of securities
Central Business Centres plc	Direct Issuer	€3 mln nominal 5.25% bonds maturing in 2025
Central Business Centres plc	Direct Issuer	€3 mln nominal 5.75% bonds maturing in 2021

## 8. Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'mln)	Net Asset Value (€'mln)	Gearing Ratio (%)
<b>5.75% Central Business Centres plc Unsecured € 2021 S1T1</b>	<b>3,000</b>	<b>4.57%</b>	<b>2.26</b>	<b>29.04</b>	<b>17.27</b>	<b>46%</b>
4.5% Hili Properties plc Unsecured € 2025	37,000	3.90%	1.50	90.87	26.32	74%
<b>5.25% Central Business Centres plc Unsecured € 2025 S2T1*</b>	<b>3,000</b>	<b>5.03%</b>	<b>2.26</b>	<b>29.04</b>	<b>17.27</b>	<b>46%</b>
4.5% Medserv plc Unsecured € 2026	21,982	4.02%	2.24	121.45	26.41	70%
4.25% Corinthia Finance plc Unsecured € 2026	40,000	3.72%	1.13	1357.87	641.03	42%
4% MIDI plc Secured € 2026	50,000	3.67%	2.64	187.46	71.25	38%
4% International Hotel Investments plc Secured € 2026*	55,000	4.00%	3.3	1152.44	608.29	38%
3.9% Plaza Centres plc € 2026	8,500	3.55%				
Average of Comparable Peers		3.98%				

### Yield Curve Analysis



\*Based on 2017 projections

As at 19<sup>th</sup> April 2017, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of nine-ten years was 281 basis points. The Central Business Centres bond maturing on the 30/12/2025 was yielding 503 basis points and an equivalent spread of 394 basis points. The bond maturing in 2021 was yielding 457 basis points and an equivalent spread of 433 basis points.

## 9. Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, the operations of BCT and EQR
Operating Expenses	Operating expenses include the cost of terminal operations and management expenses in maintaining the investment property of EQR.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Profit before Tax (PBT)	Profit before Tax is the profit is achieved during the financial year after deducting all relevant expenses including interest expenses. This however does not include tax expense.
Efficiency	
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.

Balance Sheet	
Non-current assets	Non-current assets are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Non-current assets are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.