

MAIN STREET COMPLEX P.L.C.

Condensed Interim Financial Statements
for the period 1 January 2019 to 30 June 2019

	Pages
Directors' Report pursuant to Listing Rule 5.75.2	1
Condensed Interim Financial Statements:	
Condensed Interim Statement of Financial Position	2
Condensed Interim Income Statement	3
Condensed Interim Statement of Changes in Equity	4
Condensed Interim Statement of Cash Flows	5
Notes to the Condensed Interim Financial Statements	6 - 10
Statement pursuant to Listing Rule 5.75.3	11
Independent Auditor's Report on Review of Condensed Interim Financial Information	12

Directors' Report pursuant to Listing Rule 5.75.2

This Half-Yearly Directors' Report is being published in terms of Chapter 5 of the Listing Rules published by the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half yearly report of which the present Directors' Report forms part comprises the reviewed (not audited) condensed interim financial statements of Main Street Complex p.l.c. (the "Company") for the six months ended 30 June 2019 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). The condensed interim financial statements have been reviewed in accordance with the requirements of ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2018.

Principal activities

The Company's principal activity, which remained unchanged since last year, is to grant concessions of outlets or spaces in the 'Main Street Complex', a shopping and entertainment mall in Paola, Malta, against an agreed annual rate, and in some cases, a fee payable based on a percentage of the Concessionaire's turnover.

Financial results

The Company generated revenues of €395,865 (2018: €353,860), a 12% increase over the same period in previous year. Total expenses increased by €26,200 as a result of costs related to the Company's listing on the Malta Stock Exchange. Finance costs decreased from €45,417 to €972 as a result of the full repayment of the Company's bank loan facilities towards the end of the six-month period last year. Profit before taxation amounted to €256,506 (2018: €196,256), an increase of 31%, in line with expectations.

Dividends

On 17 May 2019, the Board of Directors approved the payment of a dividend in respect of the year ended 31 December 2018 of €189,984.

On 28 August 2019, the Board of Directors of the Company resolved to distribute a net interim dividend of €161,000 (2018: €121,787). This net interim dividend will be paid on the 20 September 2019 to shareholders on the Company's register maintained by the Central Securities Depository of the Malta Stock Exchange as at close of business on 13 September 2019. The interim dividend shall be paid out of taxed profits.

Approved by the Board of Directors on 28 August 2019 and signed on its behalf by:


Joseph A. Gasan
Chairman


Etienne Borg Cardona
Director

Statement of financial position

	As at 30 June	As at 31 December
	2019 € Unaudited	2018 € Audited
ASSETS		
Non-current assets		
Property, plant and equipment	12,940,252	12,990,826
Current assets		
Trade and other receivables	233,565	193,415
Cash and cash equivalents	109,900	120,284
Total current assets	343,465	313,699
Total assets	13,283,717	13,304,525
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	1,938,462	1,938,462
Share premium	2,876,923	2,876,923
Revaluation reserve	5,814,177	5,814,177
Retained earnings	1,006,510	1,000,821
Total equity	11,636,072	11,630,383
Non-current liabilities		
Deferred tax liability	1,284,127	1,284,127
Total non-current liabilities	1,284,127	1,284,127
Current liabilities		
Trade and other payables	324,360	302,056
Current tax liabilities	39,158	87,959
Total current liabilities	363,518	390,016
Total liabilities	1,647,645	1,674,142
Total equity and liabilities	13,283,717	13,304,525

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 2 to 10 were authorised for issue by the Board on 28 August 2019 and were signed on its behalf by:


Joseph A. Gasan
Chairman


Etienne Borg Cardona
Director

Income statement

	Six-months ended 30 June 2019 Unaudited €	Six-months ended 30 June 2018 Unaudited €
Revenue	395,865	353,860
Operating expenses	(34,748)	(31,241)
Depreciation	(50,574)	(49,492)
Administrative expenses	(53,065)	(31,454)
Operating profit	257,478	241,673
Finance costs	(972)	(45,417)
Profit before tax	256,506	196,256
Tax expense	(60,833)	(58,336)
Profit for the period	195,673	137,920
- total comprehensive income	195,673	137,920
Earnings per share	0.01	0.01

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Statement of changes in equity

Unaudited	Share capital €	Share premium €	Revaluation reserve €	Retained earnings €	Total equity €
Balance at 1 January 2018	1,395,487	-	5,814,177	830,317	8,039,981
Comprehensive income					
Profit for the period	-	-	-	137,920	137,920
Transactions with owners					
Issue of share capital	542,975	2,857,025	-	-	3,400,000
Balance at 30 June 2018	1,938,462	2,857,025	5,814,177	968,237	11,577,901
Balance at 1 January 2019	1,938,462	2,876,923	5,814,177	1,000,821	11,630,383
Comprehensive income					
Profit for the period	-	-	-	195,673	195,673
Transactions with owners					
Dividends paid	-	-	-	(189,984)	(189,984)
Balance at 30 June 2019	1,938,462	2,876,923	5,814,177	1,006,510	11,636,072

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Statement of cash flows

	Six-months ended 30 June 2019 Unaudited €	Six-months ended 30 June 2018 Unaudited €
Cash flows from operating activities		
Cash generated from operations	260,749	541,694
Interest paid	(972)	(45,417)
Tax paid	(109,634)	(23,793)
Net cash generated from operating activities	150,143	472,484
Cash flows from financing activities		
Dividends paid	(189,984)	-
Decrease in bank borrowings	-	(3,036,226)
Movement in group balances	-	(677,126)
Movement in related party balances	29,457	34,291
Net cash used in financing activities	(160,527)	(3,679,061)
Cash flows from investing activity		
Proceeds from issuance of share capital	-	3,400,000
Additions to property, plant and equipment	-	(50,350)
Net cash generated from investing activity	-	3,349,650
Net movement in cash and cash equivalents	(10,384)	143,073
Cash and cash equivalents at beginning of period	120,284	17,564
Cash and cash equivalents at end of period	109,900	160,637

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Notes to the interim financial statements

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the six months ended 30 June 2019 and have been reviewed in terms of ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

2. Accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those of the annual financial statements of Main Street Complex p.l.c. for the year ended 31 December 2018, as described in those financial statements. Adoption of new standards, amendments and interpretations to existing standards that are mandatory for accounting period beginning on 1 January 2019 did not result in changes to the Company's accounting policies and did not require retrospective adjustments.

3. Property, plant and equipment

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
At 1 January 2018				
Cost or valuation	12,935,673	536,573	349,047	13,821,293
Accumulated depreciation	-	(472,246)	(349,047)	(821,293)
Net book amount	12,935,673	64,327	-	13,000,000
Year ended 31 December 2018				
Opening net book value	12,935,673	64,327	-	13,000,000
Additions	-	86,692	3,465	90,157
Depreciation charge	(79,573)	(19,411)	(347)	(99,331)
Closing net book amount	12,856,100	131,608	3,118	12,990,826
At 1 January 2019				
Cost or valuation	12,935,673	623,265	352,512	13,911,450
Accumulated depreciation	(79,573)	(491,657)	(349,394)	(920,624)
Net book amount	12,856,100	131,608	3,118	12,990,826
Period ended 30 June 2019				
Opening net book value	12,856,100	131,608	3,118	12,990,826
Depreciation charge	(39,787)	(10,614)	(173)	(50,574)
Closing net book amount	12,816,313	120,994	2,945	12,940,252
At 30 June 2019				
Cost or valuation	12,935,673	623,265	352,512	13,911,450
Accumulated depreciation	(119,360)	(502,271)	(349,567)	(971,198)
Net book amount	12,816,313	120,994	2,945	12,940,252

Fair value of land and buildings

The Company's land and buildings were last revalued at 31 December 2017. The book values of the land and buildings were adjusted to the revaluations and the resultant surplus net of deferred income taxes was credited to the revaluation reserve in the shareholders' equity. The directors have reviewed the carrying amount of the Company's land and buildings as at 30 June 2019, and no adjustments to the carrying amount was deemed necessary as at that date.

3. Property, plant and equipment - continued

Fair value of land and buildings - continued

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company's recurring fair value measurements as at 30 June 2019 are categorised as level 3 as they are based on significant unobservable inputs. The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the six-month period ended 30 June 2019 there were no transfers between the fair value levels. The Company's land and buildings represent only the Main Street Complex and their current use equates to the highest and best use. A reconciliation between the opening balance and the closing balance of the property's carrying amount is presented in the table above. The movement reflects the depreciation charge for the six-month period ended 30 June 2019.

Valuation process and techniques

The Company's property is valued on periodic valuation by the directors after seeking professional advice from independent professionally qualified valuers who holds a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the board of directors and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held between these parties.

At the end of every reporting period during which an external valuation is not carried out, the directors also assesses whether any significant changes in actual circumstances, income streams, results and developments have been experienced since the last external valuation. An adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change.

The valuation was determined using discounted cash flow projections considering, *inter alia*, the projected future earnings from the Main Street Complex, in the main based on current rental contracts, its ongoing maintenance needs, and other relevant market factors. Accordingly, the significant unobservable inputs applied in the Company's valuation are the following:

- Earnings before interest, tax, depreciation and amortisation (EBITDA): which is based on the Company's existing rental income streams less operating costs (before depreciation) which include marketing and maintenance expenses. The EBITDA for the six-month period ended 30 June 2019 is estimated at €308,052 (30 June 2018: €291,165).
- Growth rate, at an average of 2.5%: represents the estimated average growth of the Company's rentals.
- A discount rate of 6% to 7% was applied in estimating the net present value of the projected operating future cash flows of the property. This discount rate is principally based on the weighted average of the cost of debt, current market risk free rates, an equity market risk premium and other risk premiums attached to an investment in the property being valued including any element of projection risk inherent in the projected future cash flows.

Generally, an increase in the EBITDA and the growth rate will result in an increase to the fair value of the property. Conversely, a lower discount rate will give a higher fair value.

4. Share capital

On 11 April 2018 the Company's issued share capital was increased from €1,395,487 divided into 1,395,487 shares of a nominal value of €1.00 each to €1,415,385 divided into 14,153,850 shares of a nominal value of €0.10 each. The Company re-denominated the nominal value of its share capital from €1.00 to €0.10 and carried out a bonus share issue whereby a total of 198,980 shares of a nominal value of €0.10 per share were issued to its shareholders at a par value of €0.10 per share through the capitalisation of €19,898 out of the share premium account.

Subsequently 5,230,769 shares with a nominal value of €0.10, were newly issued at an offer price of €0.65 per share, for a total amount of €3,400,000.

5. Commitments

Operating lease commitments - where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	30 June 2019 € Unaudited	31 December 2018 € Audited
Not later than 1 year	629,056	601,359
Later than 1 year and not later than 5 years	1,673,983	1,566,677
Later than 5 years	365,691	489,120
	2,668,730	2,657,156

6. Dividends

On 17 May 2019, the Board of Directors approved the payment of a dividend in respect of the year ended 31 December 2018 of €189,984.

On 28 August 2019, the Board of Directors of the Company resolved to distribute a net interim dividend of €161,000 (2018: €121,787). This net interim dividend will be paid on the 20 September 2019 to shareholders on the Company's register maintained by the Central Securities Depository of the Malta Stock Exchange as at close of business on 13 September 2019. The interim dividend shall be paid out of taxed profits.

7. Related party transactions

The Company has related party relationships with Embassy Limited, related entities ultimately controlled by Embassy Limited, companies forming part of the Gasan Group together with the Company's Directors ('key management personnel'). As at 30 May 2018, companies considered as related parties included subsidiaries and associates of Maui Investments Limited and GMJ Limited, together with companies forming part of the Embassy Group and the Gasan Group. Subsequent to the listing of the Company, subsidiaries and associates of Maui Investments Limited and GMJ Limited were no longer considered as related parties.

The related parties transactions during the six-month period under review comprise:

	Six-months ended 30 June 2019 € Unaudited	Six-months ended 30 June 2018 € Unaudited
Rental income	-	64,506
Management fees	15,000	20,000

Statement pursuant to Listing Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed interim financial information gives a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting');
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Joseph A. Gasan
Chairman

28 August 2019



Independent auditor's report

To the Board of Directors of Main Street Complex p.l.c.
Report on review of condensed interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Main Street Complex p.l.c. (the Company) as at 30 June 2019, the related condensed income statement and statement of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("the condensed interim financial statements"). The Directors are responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 "Interim Financial Reporting"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This report, including its conclusion, has been prepared for the Company for the purpose of the Listing Rules of the Malta Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta



Simon Flynn
Partner

28 August 2019

a) The maintenance and integrity of the Main Street Complex p.l.c. website is the responsibility of the Directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial information since this was initially presented on the website.

b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.