

MAIN STREET COMPLEX P.L.C.

Condensed interim financial statements  
for the period 1 January 2020 to 30 June 2020

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## 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 2020 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 2019.*

### 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 €215,477 (2019: €395,865), a 46% decrease over the same period in previous year. Total expenses decreased by €22,107 as a result of the complex being closed from 23 March to 4 May 2020. Finance costs decreased from €972 to €818. Profit before taxation amounted to €98,379 (2019: €256,506), a decrease of 62%, due to the exceptional circumstances of the COVID-19 pandemic.

#### *COVID-19 pandemic*

Despite a healthy operational and financial position and an encouraging start to 2020, the board continues to note the ongoing disruption and uncertainty brought about by the COVID-19 pandemic on the daily lives of all stakeholders, not least health and safety concerns. The ongoing uncertainty surrounding the extent and duration of the repercussions of the pandemic on the local and global economy continue to have a negative impact on the Company's results. Following closure in late March 2020 in line with Legal Notice 95/2020, instructing all non-essential retail operators to stop trading as from the 23 March 2020, Main Street Complex re-opened its doors to the public on the 4 May 2020.

During and following the period of closure, the Company reached out to its concessionaires and offered temporary support. During this period, action was taken to keep operating costs to a minimum. All concessionaires except one, re-opened for business immediately upon the official lifting of the lock down restrictions of their industry sector.

Footfall levels following re-opening have generally risen gradually, although it remains to be seen whether these levels can be sustained in the coming months. The board is committed to continue to evaluate the current economic and business uncertainties, and to take decisions aimed to strike the right balance between the immediate and medium-term requirements of the Company and its stakeholders. In the present scenario, the board remains satisfied that the Company's strong financial position and absence of debt will enable it to continue to absorb the negative repercussions brought about by the COVID-19 pandemic in the foreseeable future, and remains optimistic about the future outlook for Main Street Complex.

**Directors' report pursuant to listing rule 5.75.2 - continued**

**Dividends**

On 29 July 2020, the board of directors approved the payment of a dividend in respect of the year ended 31 December 2019 of €161,000 (2018: €189,984).

Having given due consideration to the continued uncertainty and reduced profitability resulting from the COVID-19 pandemic, as well as the Company's dividend policy as set out in section 20.4 of the Registration Document forming part of the Prospectus dated 23 April 2018, the board of directors of the Company does not consider it prudent to recommend the payment of an interim dividend at this point in time. The matter will be kept under review and further announcements in this respect will be published as and when appropriate.

Approved by the board of directors on 27 August 2020 and signed on its behalf by:



Joseph A. Gasan  
Chairman



Etienne Borg Cardona  
Director

## Statement of financial position

	<b>As at 30 June</b>	As at 31 December
	<b>2020</b>	2019
	<b>€</b>	€
	<b>Unaudited</b>	Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>12,843,656</b>	12,894,664
<b>Current assets</b>		
Trade and other receivables	<b>104,077</b>	280,333
Cash and cash equivalents	<b>284,117</b>	258,017
Total current assets	<b>388,194</b>	538,350
<b>Total assets</b>	<b>13,231,850</b>	13,433,014
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	<b>1,938,462</b>	1,938,462
Share premium	<b>2,876,923</b>	2,876,923
Revaluation reserve	<b>5,814,177</b>	5,814,177
Retained earnings	<b>1,105,752</b>	1,040,905
Total equity	<b>11,735,314</b>	11,670,467
<b>Non-current liabilities</b>		
Deferred tax liability	<b>1,284,127</b>	1,284,127
Total non-current liabilities	<b>1,284,127</b>	1,284,127
<b>Current liabilities</b>		
Trade and other payables	<b>171,922</b>	374,809
Current tax liabilities	<b>40,487</b>	103,611
Total current liabilities	<b>212,409</b>	478,420
Total liabilities	<b>1,496,536</b>	1,762,547
<b>Total equity and liabilities</b>	<b>13,231,850</b>	13,433,014

The notes on pages 7 to 11 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 11 were authorised for issue by the board on 27 August 2020 and were signed on its behalf by:

Joseph A. Gasan  
Chairman

Etienne Borg Cardona  
Director

## Income statement

	<b>Six-months ended 30 June 2020 Unaudited €</b>	<b>Six-months ended 30 June 2019 Unaudited €</b>
Revenue	<b>215,477</b>	395,865
Operating expenses	<b>(23,540)</b>	(34,748)
Depreciation	<b>(51,008)</b>	(50,574)
Administrative expenses	<b>(41,732)</b>	(53,065)
<b>Operating profit</b>	<b>99,197</b>	257,478
Finance costs	<b>(818)</b>	(972)
<b>Profit before tax</b>	<b>98,379</b>	256,506
Tax expense	<b>(33,532)</b>	(60,833)
<b>Profit for the period - total comprehensive income</b>	<b>64,847</b>	195,673
<b>Earnings per share</b>	<b>0.003</b>	0.010

The notes on pages 7 to 11 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 2019	1,938,462	2,876,923	5,814,177	1,000,821	11,630,383
<b>Comprehensive income</b>					
Profit for the period	-	-	-	195,673	195,673
<b>Transactions with owners</b>					
Dividends paid	-	-	-	(189,984)	(189,984)
<b>Balance at 30 June 2019</b>	<b>1,938,462</b>	<b>2,876,923</b>	<b>5,814,177</b>	<b>1,006,510</b>	<b>11,636,072</b>
Balance at 1 January 2020	1,938,462	2,876,923	5,814,177	1,040,905	11,670,467
<b>Comprehensive income</b>					
Profit for the period	-	-	-	64,847	64,847
<b>Balance at 30 June 2020</b>	<b>1,938,462</b>	<b>2,876,923</b>	<b>5,814,177</b>	<b>1,105,752</b>	<b>11,735,314</b>

The notes on pages 7 to 11 are an integral part of these condensed interim financial statements.

## Statement of cash flows

	<b>Six-months ended 30 June 2020 Unaudited €</b>	Six-months ended 30 June 2019 Unaudited €
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>130,687</b>	260,749
Interest paid	<b>(818)</b>	(972)
Tax paid	<b>(96,656)</b>	(109,634)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>33,213</b>	150,143
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(189,984)
Movement in related party balances	<b>(7,113)</b>	29,457
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Net cash used in financing activities	<b>(7,113)</b>	(160,527)
	<hr/>	<hr/>
<b>Net movement in cash and cash equivalents</b>	<b>26,100</b>	(10,384)
<b>Cash and cash equivalents at beginning of period</b>	<b>258,017</b>	120,284
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<b>Cash and cash equivalents at end of period</b>	<b>284,117</b>	109,900
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The notes on pages 7 to 11 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 2020 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 condensed interim financial statements as at, and for the six-month period ended 30 June 2020 have been prepared 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"). The condensed interim financial statements information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the EU. The financial statements of the Company as at, and for the year ended 31 December 2019 are available upon request from the Company's registered office at Main Street Complex, Antoine De Paule Square, Paola, PLA1262, Malta. They are also available for viewing on its website at [www.mainstreetcomplex.com](http://www.mainstreetcomplex.com).

### 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 2019, as described in those financial statements.

#### *New and amended standards adopted by the Company*

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these revisions on the Company's accounting policies and on the Company's financial results is insignificant.

#### *Impact of standards issued but not yet applied by the Company*

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

### 3. Impact of COVID-19

Following the outbreak of the COVID-19 pandemic, the Company implemented strategic initiatives aimed at ensuring continuity of service and at mitigating the potential negative impact on the Company's business. Despite a healthy operational and financial position and an encouraging start to 2020, the board continues to note the ongoing disruption and uncertainty brought about by the COVID-19 pandemic on the daily lives of all stakeholders. The ongoing uncertainty surrounding the extent and duration of the repercussions of the pandemic on the local and global economy continue to have a negative impact on the Company's results. However, in the present scenario, the board remains satisfied that the Company's strong financial position and absence of debt will enable it to continue to absorb the negative repercussions brought about by the COVID-19 pandemic in the foreseeable future, and remains optimistic about the future outlook for Main Street Complex. In this regard and as detailed further in Note 4, the directors are of the opinion that there are no significant impacts on the carrying value of the Company's assets.

Based on the financial results and financial position as at 30 June 2020, the directors believe that there is no material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The directors continue to adopt the going concern assumption in the preparation of the financial statements.

### 4. Property, plant and equipment

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
<b>At 1 January 2019</b>				
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
<b>Year ended 31 December 2019</b>				
Opening net book value	12,856,100	131,608	3,118	12,990,826
Additions	-	-	5,856	5,856
Depreciation charge	(79,574)	(21,227)	(1,217)	(102,018)
Closing net book amount	12,776,526	110,381	7,757	12,894,664
<b>At 31 December 2019</b>				
Cost or valuation	12,935,673	623,265	358,368	13,917,306
Accumulated depreciation	(159,147)	(512,884)	(350,611)	(1,022,642)
Net book amount	12,776,526	110,381	7,757	12,894,664

**4. Property, plant and equipment - continued**

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
<b>Period ended 30 June 2020</b>				
Opening net book value	12,776,526	110,381	7,757	12,894,664
Depreciation charge	(39,786)	(10,614)	(608)	(51,008)
Closing net book amount	<b>12,736,740</b>	<b>99,767</b>	<b>7,149</b>	<b>12,843,656</b>
<b>At 30 June 2020</b>				
Cost or valuation	12,935,673	623,265	358,368	13,917,306
Accumulated depreciation	(198,933)	(523,498)	(351,219)	(1,073,650)
Net book amount	<b>12,736,740</b>	<b>99,767</b>	<b>7,149</b>	<b>12,843,656</b>

*Fair value of land and buildings*

The Company's land and buildings were last revalued on 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 2020, and no adjustments to the carrying amount was deemed necessary as at that date.

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 2020 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 2020 there were no transfers between the fair value levels. The Company's land and buildings represent 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 2020.

*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.

#### 4. Property, plant and equipment - continued

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 a 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 2020 is estimated at €150,205 (30 June 2019: €308,052).
- 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 in the fair value of the property. Conversely, a lower discount rate will give a higher fair value.

#### 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:

	<b>30 June 2020</b>	31 December 2019
	€	€
	<b>Unaudited</b>	Audited
Not later than 1 year	<b>629,693</b>	638,202
Later than 1 year and not later than 5 years	<b>1,712,951</b>	1,843,573
Later than 5 years	<b>114,306</b>	243,768
	<b>2,456,950</b>	2,725,543

**6. Dividends**

On 29 July 2020, the board of directors approved the payment of a dividend in respect of the year ended 31 December 2019 of €161,000 (2018: €189,984).

**7. Related party transactions**

The Company has related party relationships with Embassy Limited, related entities ultimately controlled by Embassy Limited together with the Company's directors ('key management personnel'). Companies forming part of the Embassy Group and the Gasan Group are considered to be related parties.

The following principal operating transactions, which were carried out with related parties, have a material effect on the operating results and financial position of the Company:

	<b>Six-months ended 30 June 2020 € Unaudited</b>	Six-months ended 30 June 2019 € Unaudited
Management fees	<b>15,000</b>	15,000

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### Statement pursuant to Listing Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (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

27 August 2020



## 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 2020, the related condensed income statement and statements of changes in equity and cash flows for the six-month period then ended 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  
Zone 5, Central Business District  
Qormi CBD 5090  
Malta

A handwritten signature in blue ink, appearing to read 'Lucienne Pace Ross', is written over a light blue horizontal line.

Lucienne Pace Ross  
Partner

27 August 2020

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- 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 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.