MAIN STREET COMPLEX P.L.C.

Condensed Interim Financial Statements

For the period 1 January 2018 to 30 June 2018

Company Registration Number: C 34767

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. 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 2018 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 210, '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 2017.*

Principal activities

The Company's principal activity, which remained unchanged since last year, is to lease and manage 'Main Street Complex', a shopping and entertainment mall in Paola, Malta.

The financial statements being reported are the first interim results since the listing of the Company's issued share capital of the Official List of the Malta Stock Exchange in May 2018 (the "**Listing**").

Financial Results

During the period under review, the Company generated revenues of €353,860 (2017: €360,098) and profits before tax of €196,256 (2017: €219,280), in line with the expectations of the Company. Operating expenses increased, as projected in the prospectus dated 23 April 2018, to €31,241 compared to €20,391 in the comparative period for 2017 due to lower recoveries of Common Area and Building Maintenance Costs or "CAM" costs, higher management fees, additional depreciation on a new lift installation, and governance costs. Finance costs decreased from €56,910 in 2017 to €45,417 due to the repayment of banking facilities in full following the Company's Listing, as envisaged.

The Company continues to operate in a positive economic environment and has seen an upturn in business following the completion of the Paola Square refurbishment project, with consistent increases in customer footfall being registered compared to previous periods.

The directors prudently anticipate a positive year of operations, while remaining alert to potential external market factors which may affect the Company's financial position. The Company continues to pursue opportunities that may improve the Company's growth and development.

Dividends

On 24 August 2018, the Board of Directors of the Company resolved to distribute a net interim dividend of €121,787. This net interim dividend will be paid on the 14 September 2018 to shareholders on the Company's register maintained by the Central Securities Depositary of the Malta Stock Exchange as at close of business on 7 September 2018. The interim dividend shall be paid out of taxed profits.

Approved by the Board of Directors on 24 August 2018 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
	2018	2017
	€	€
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	**13,000,858**	13,000,000
Current assets		
Trade and other receivables	**229,344**	421,189
Cash and cash equivalents	**160,637**	17,564
Total current assets	**389,981**	438,753
Total assets	**13,390,839**	13,438,753
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1,938,462**	1,395,487
Share premium	**2,857,025**	-
Revaluation reserve	**5,814,177**	5,814,177
Retained earnings	**968,237**	830,317
Total equity	**11,577,901**	8,039,981
Non-current liabilities		
Deferred tax liability	**1,284,127**	1,284,127
Trade and other payables	**-**	780,728
Borrowings	**-**	2,685,952
Total non-current liabilities	**1,284,127**	4,750,807
Current liabilities		
Borrowings	**-**	350,274
Trade and other payables	**477,759**	281,182
Current tax liabilities	**51,052**	16,509
Total current liabilities	**528,811**	647,965
Total liabilities	**1,812,938**	5,398,772
Total equity and liabilities	**13,390,839**	13,438,753

The notes on pages 6 to 9 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 2 to 9 were authorised for issue by the Board on 24 August 2018 and were signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Income statement

	Six-months ended 30 June 2018 Unaudited €	Six-months ended 30 June 2017 Unaudited €
Revenue	**353,860**	360,098
Operating expenses	**(31,241)**	(20,391)
Depreciation	**(49,492)**	(44,457)
Administrative expenses	**(31,454)**	(19,060)
Operating profit	**241,673**	276,190
Finance costs	**(45,417)**	(56,910)
Profit before tax	**196,256**	219,280
Tax expense	**(58,336)**	(61,406)
Profit for the period - total comprehensive income	**137,920**	157,874
Earnings per share	**0.01**	0.01

The notes on pages 6 to 9 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 2017	1,395,487	-	4,826,197	499,974	6,721,658
Comprehensive income					
Profit for the period	-	-	-	157,874	157,874
Balance at 30 June 2017	1,395,487	-	4,826,197	657,848	6,879,532
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
	542,975	2,857,025	-	137,920	3,537,920
Balance at 30 June 2018	**1,938,462**	**2,857,025**	**5,814,177**	**968,237**	**11,577,901**

The notes on pages 6 to 9 are an integral part of these condensed interim financial statements.

Statement of cash flows

	Six-months ended 30 June 2018 Unaudited €	Six-months ended 30 June 2017 Unaudited €
Cash flows from operating activities		
Cash generated from operations	**541,694**	238,381
Interest paid	**(45,417)**	(56,910)
Tax paid	**(23,793)**	(49,419)
Net cash generated from operating activities	**472,484**	132,052
Cash flows from financing activities		
Decrease in bank borrowings	**(3,036,226)**	(175,492)
Movement in group balances	**(677,126)**	(132,210)
Movement in related party balances	**34,291**	127,896
Net cash used in financing activities	**(3,679,061)**	(179,806)
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	**143,073**	(47,754)
Cash and cash equivalents at beginning of year	**17,564**	58,187
Cash and cash equivalents at 30 June	**160,637**	10,433

The notes on pages 6 to 9 are an integral part of these condensed interim financial statements.

Notes to the interim financial statements

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 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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 2017, 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 2018 did not result in changes to the Company's accounting policies and did not require retrospective adjustments.

Standards, interpretations and amendments to published standards that are not yet adopted

IFRS 16 'Leases', was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Company does not intend to adopt the standard before its effective date and does not expect this standard to have a material impact on the Company.

Property, plant and equipment

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
At 1 January 2017				
Cost or valuation	12,576,706	536,573	349,047	13,462,326
Accumulated depreciation	(650,374)	(462,905)	(349,047)	(1,462,326)
Net book amount	**11,926,332**	**73,668**	**-**	**12,000,000**
Year ended 31 December 2017				
Opening net book value	11,926,332	73,668	-	12,000,000
Revaluation				
effect on valuation	358,967	-	-	358,967
effect on accumulated depreciation	729,947	-	-	729,947
Depreciation charge	(79,573)	(9,341)	-	(88,914)
Closing net book amount	**12,935,673**	**64,327**	**-**	**13,000,000**
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**
Period ended 30 June 2018				
Opening net book value	12,935,673	64,327	-	13,000,000
Additions	-	50,350	-	50,350
Depreciation charge	(39,787)	(9,705)	-	(49,492)
Closing net book amount	**12,895,886**	**104,972**	**-**	**13,000,858**
At 30 June 2018				
Cost or valuation	12,935,673	586,923	349,047	13,871,643
Accumulated depreciation	(39,787)	(481,951)	(349,047)	(870,785)
Net book amount	**12,895,886**	**104,972**	**-**	**13,000,858**

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 2018, and no adjustments to the carrying amount was deemed necessary as at that date.

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 2018 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 3018 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 additions during the six-month period ended 30 June 2018.

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 as at 30 June 2018 is estimated at €291,165 (31 December 2017: €614,941).

- 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.

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.

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 2018	31 December 2017
	€	€
	Unaudited	Audited
Not later than 1 year	**661,455**	513,277
Later than 1 year and not later than 5 years	**1,633,103**	1,750,513
Later than 5 years	**664,738**	1,152,205
	2,959,296	3,415,995

Dividends

A net dividend in respect of the period ended 30 June 2018 of €121,787 was proposed by the Board of Directors. The 2018 dividend was approved for payment by the Board of Directors during the meeting held on 24 August 2018.

Related party transactions

The Company's related parties include subsidiaries and associates of Maui Investments Limited and GMJ Limited, together with companies forming part of the Embassy Group and the Gasan Group.

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

	Six-months ended 30 June 2018	Six-months ended 30 June 2017
	€	€
	Unaudited	Unaudited
Rental income	**64,506**	78,283
Management fees	**20,000**	15,000

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 2018, 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

24 August 2018

Independent auditor's report

To the Board of Directors of Main Street Complex p.l.c.
Report on Review of Condensed Interim Financial Information

Introduction
We have reviewed the accompanying condensed statement of financial position of Main Street Complex p.l.c. as at 30 June 2018, the related condensed income statement, statements 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 interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information 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 this interim financial information 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 interim financial information 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 information is 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

24 August 2018

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.