MAIN STREET
COMPLEX P.L.C.

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

COMPANY REG. NO. C34767

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to be presenting the first annual report to the company's shareholders following the official listing of Main Street Complex p.l.c. on the Malta Stock Exchange.

The year 2018 was characterised by the floating on the Malta Stock Exchange and as expected, the company has been through a variety of changes and developments. To name a few, the Board composition has seen the resignation of four of the previous shareholder directors, the appointment of three independent non-executive Directors and the appointment of a new Company Secretary. The newly constituted Board reflects a profile of entrepreneurship and expertise in various sectors, including business development, retail, marketing, management, business advisory, legal, banking and auditing amongst others. I am pleased that the members settled in their roles over a relatively short period. Needless to say, the company has also seen significant changes on the corporate governance side with the constitution of the audit committee and nominations committee, as well as sub-committees which support the Board.

Throughout the year Main Street Complex retained 94% occupancy, with the last remaining outlet being leased out as at the date of preparing this report. The completion of the civil works on Pjazza Antoine de Paule, ongoing management and marketing initiatives as well as the enthusiasm of the retail tenants, contributed to attracting a record number of visitors and shoppers to the shopping complex. After having welcomed the ten millionth visitor since the opening of Main Street, this record footfall was yet another remarkable achievement. The installation of solar panels in the final quarter of the year will not only lead to the sale of the energy generated to the grid, but also to affirm the company's credentials in active participation in green initiatives.

Results for the year were largely in line with expectations, with Gross Revenue reaching €742K and profit before tax of €439K compared to €416K in the previous year and €443K projected. While the company's operating expenses remained at par with previous year, the administrative costs associated with operating a public company led to an anticipated increase in such expenditure. Nevertheless, having paid off all its loans, the company's savings on interest expenses compensated for the increase in administrative costs.

Inflows resulting from the Initial Public Offering were applied towards the repayment of all bank loan balances and amounts owed to former group companies. This equity transaction elevated the company's Balance Sheet to one with a strong capital base and an enviable debt-free position. The consequent absence of debt servicing and repayment obligations means that while the company can pay out all net distributable profits earned during the year, its cash resources were not depleted since the depreciation charge exceeded its capital expenditure for the year. As a matter of fact, a net interim dividend of €121.8K was paid out in September 2018, a mere four months following listing. Together with the final net dividend of €190K being declared for the year, shareholders will receive a total net dividend of €0.016 per share.

The Board and I share the view that Main Street Complex remains a popular shopping destination for the Southern part of the island. Having now signed the lease for the last remaining retail space, the company's management will focus on the further enhancement of customer experience at the Complex, and the wellbeing of tenants. In the meantime, the Board looks to the future with optimism and will continue to explore options and opportunities for the growth and development of Main Street Complex p.l.c.

Joseph A. Gasan
Chairman

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended31 December 2018.

PRINCIPAL ACTIVITY

Main Street Complex opened in 2004 as a retail and entertainment complex, featuring four floors of retail outlets, a bar/restaurant and entertainment area, and parking facilities in the heart of Paola, Malta.

The company has operated the Complex since its opening. The principal activity is to grant concessions of outlets or spaces in the Complex against an agreed annual rate, and in some cases, a fee payable based on a percentage of the Concessionaire's turnover.

During the financial year under review, the company offered 12,769,229 ordinary shares of a nominal value of €0.10 for sale through an equity IPO at an offer price of €0.65 per share. 5,230,769 of these shares constituted an increase in equity while the remaining 7,538,460 represented the sale of existing share capital. Main Street Complex p.l.c. was admitted to listing on the Malta Stock Exchange on 30 May 2018.

REVIEW OF THE BUSINESS

The company generated revenues of €742,341 (2017: €734,292) which were in line with the previous year. Operating expenses remained generally unchanged, however administrative expenses rose primarily as a result of costs related to the company's Stock Exchange listing, while increased depreciation charges reflected capital expenditure incurred during the year. The overall result was a decrease in operating profit to €484,805 in 2018 compared to €526,027 in 2017, as anticipated. This decline was mitigated by lower financial costs amounting to €45,687 (2017: €111,697) due to the full repayment of the company's bank loan facilities, resulting in profits before taxation amounting to €439,371 (2017: €415,944), an increase of 5.6%, in line with expectations.

The income statement is set out on page 34. An interim net dividend of €121,768 was distributed by the company in September 2018, and the Directors recommend the payment of a net final dividend of €190,163.

The year 2018 was a positive year for the company with high and sustained tenant occupancy levels, increases in footfall over the previous year, and new initiatives that led to an improved customer experience at the shopping complex. The year 2019 augurs well in view of a robust economic environment, footfall levels that continue to show improvement, the expectation of achievement of full occupancy and further reductions in financial costs.

OUR PRINCIPAL RISK AND UNCERTAINTIES

RISKS RELATING TO RELIANCE ON CONCESSION AGREEMENTS

In its business operations, the company enters into concession agreements with third parties pursuant to which it grants such third parties the right to use the outlets forming part of Main Street Complex for an agreed annual rate and, in some cases, a fee payable on the percentage of concession turnover, usually subject to a minimum annual rent. The Concessionaires of Main Street Complex are principally engaged in retail, catering and entertainment. The company, therefore, relies on the revenues it expects to generate from the Concessions. There can be no guarantee that the company will continue to find suitable concessionaires on the terms it seeks from time to time. In addition, the financial stability of the Concessionaires may change over time. Defaults by Concessionaires could result in a reduction in concession fee revenues, which may require the company to contribute additional capital or obtain alternative financing. In addition, the company may incur costs in enforcing rights under the Concession Agreements of a defaulting Concessionaire, including legal fees, re-possession of the space/s granted on concession and costs to grant a concession of the re-possessed space to a new third-party/ies. Any adverse changes in a Concessionaire's financial condition may negatively affect cash flows generated by the company. Furthermore, if the company's Concessionaires decide not to renew their respective Concession Agreements upon expiration, the company may not be able to grant concessions on the same terms, if at all. Any of the foregoing factors may adversely affect the business, financial condition and results of operations of the company.

RISKS RELATING TO CHANGES IN THE MARKET AND ECONOMIC CONDITIONS

The company's business activities are subject to general market and economic conditions. These conditions include, inter alia, consumer demand, financial market volatility, inflation, fluctuation in interest rates, exchange rates, direct and indirect taxation, the health of the local retail markets, property prices, energy and fuel costs, unemployment, wage rates, tightening of credit markets, government spending and budget priorities and other general market and economic conditions.

In the event that general market and economic conditions were to experience a downturn, these weakened conditions may have an adverse impact on the financial position and operational performance of the company's business activity, potentially having a serious effect on the company's financial position, cash flows, operational performance and its ability to distribute dividends to its shareholders.

RISKS RELATING TO THE RETAIL SECTOR

The company grants Concessions to entities engaged principally in the retail sector. The health of the retail market may have a direct or indirect effect on the ability of the company to grant Concessions. The health of the retail market may be affected by a number of factors, including, inter alia, consumer demand, tastes, shopping preferences, trends, online shopping, inflation, fluctuation in interest rates, exchange rates, direct and indirect taxation, regulations, energy and fuel costs, unemployment, wage rates, availability of credit, government spending and budget priorities, and other general market and economic conditions. These are particularly accentuated owing to the size of the Maltese market. A significant downturn in the performance of the retail sector could have a material adverse effect on the company's business, financial position and results of operation.

RISKS EMANATING FROM THE COMPANY'S FINANCING STRATEGY

The company may not be able to obtain the capital it requires for development or improvement of existing or new properties on commercially reasonable terms, or at all. The company may not be able to secure sufficient financing for its investment requirements. No assurance can be given that sufficient financing will be available on commercially reasonable terms or within the timeframes required by the company, also taking into account the need from time to time for the Complex to undergo renovation, refurbishment or other improvements in the future. Any weakness in the capital markets and, more generally, the inability to raise the necessary financing from time to time, may limit the company's ability to raise capital for the execution of future developments or acquisitions. Failure to obtain, or delays in obtaining, the capital required to complete future developments and acquisitions on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the company's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

FUTURE INDEBTEDNESS

The company may, from time to time, require bank credit facilities to maintain the Complex, to refinance indebtedness as well as to fund future growth in terms of acquisition and developments. There can be no assurance that the company will have access to sufficient capital or access to capital on terms favourable to the company for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Moreover, borrowings under bank credit facilities are or may be at variable interest rates, which would render the company vulnerable to increases in interest rates. The agreements regulating the company's bank debt may impose, and are likely to impose, significant operating restrictions and financial covenants on the company. These restrictions and covenants could limit the company's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

KEY SENIOR MANAGEMENT AND PERSONNEL

The operations and profitability of the company are dependent on the management support services provided by Embassy Management Limited to the company in terms of a management support services agreement. Should either party terminate the management support services agreement prior to the expiry of its term, or, should Embassy Management Limited decide not to renew the agreement following the lapse of the term thereof, the company would need to seek a new management support services provider or individuals to occupy the executive management roles of the company. The company may be unable to replace the services provided by Embassy Management Limited within the short term. This could have a material adverse effect on the company's business and results of its operations.

THE COMPANY'S INSURANCE POLICIES

The company maintains insurance at levels determined by the company to be appropriate in light of the cost of cover and the risk profile of the business in which the company operates. With respect to losses for which the company is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the company may not be able to recover the full loss incurred from the insurer. No assurance can be given that the company's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

RISKS RELATIVE TO CHANGES IN LAWS

Various aspects of the company's business are subject to specific laws and regulation including consumer laws and licensing requirements. The business of the company is also subject to laws and regulations of general application such as taxation, health and safety and employment. The timing and effects of changes in the laws and regulations, to which the company is subject, including changes in the interpretation thereof, cannot be predicted and could have an adverse effect on the business, financial condition and profitability of the company.

REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the company's business practices, whether true or not, may cause a decline in the customer base, costly litigation, or revenue reductions. Reputational risk could be particularly damaging for the company since the nature of its business requires maintaining the confidence of clients and of the general marketplace.

HEALTH AND SAFETY

The nature of the company's business necessitates that adequate importance is given to maintaining compliance with international health and safety standards. The failure to comply with such standards could expose the company to third party claims, which could in turn have a material adverse effect on its business and profitability.

LITIGATION RISK

The company is susceptible to legal claims, with or without merit, by Concessionaires and/or patrons of the Complex. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the company's future cash flow, results of operations or financial condition.

COMPETITIVENESS IN THE COMMERCIAL PROPERTY MARKET

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the commercial property segments in which the company targets to grant Concessions, may cause the Concessions to be granted at lower rates than is being anticipated by the company or may cause the concession of Main Street Complex spaces to take place at a slower pace than that anticipated by the company. If these risks were to materialise, they could have an adverse impact on the company and its ability to distribute dividends

MATERIAL RISKS RELATING TO THE POTENTIAL FUTURE DEVELOPMENT OF REAL ESTATE

The company may from time to time develop Main Street Complex further or develop other properties it may acquire. Risks relating to real estate development may affect the economic performance and value of the property under development. There are a number of factors that commonly affect the real estate development industry, many of which are beyond the company's control, and which could adversely affect the economic performance and value of the company's real estate property and any developments that the company may seek to implement. Such factors include: changes in general economic conditions in Malta; general industry trends, including the cyclical nature of the real estate market; changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes; possible structural and environmental problems liabilities to which the company may be exposed to in connection with the construction of real estate including but not limited to, environmental liabilities, health and safety liabilities and liabilities pertaining to the disposal of waste products; acts of nature, such as earthquakes and floods, that may damage the property or delay its development; increased competition in the market segment in which the company is undertaking the real estate development may lead to an oversupply of commercial properties in such markets, which could lead to a lowering of concession payments and a corresponding reduction in revenue of the company from Main Street Complex; the incurrence of cost overruns; delays in the processing of permits for the development and construction of real estate property; and the dependence of the company on third party contractors and the availability of same to carry out construction and structural works at the times scheduled by, and costs agreed with, the company. In the event of real estate developments being carried out by the company, any of the factors described above could have an adverse effect on the company's business, its respective financial condition and prospects and accordingly on the ability of the company to distribute dividends.

EXPOSURE TO ENVIRONMENTAL LIABILITIES

The company may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The company may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on its business, financial condition and results of operations.

RISKS INHERENT IN PROPERTY VALUATIONS

In providing a market value of the Complex, the independent architects engaged by the company for this purpose have made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends, as reality may not match the assumptions. There can be no assurance that such valuation of the Complex will reflect actual market values.

FINANCIAL RISK MANAGEMENT

The company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The company's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. Accordingly, the company's Board of Directors provides principles for overall risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. A detailed review of the risk management policies employed by the company is included in Note 2 to the financial statements.

The Statement of Compliance with the Principles of Good Corporate Governance in this Annual Report describes the company's adherence with the Principles and Code Provisions of Good Corporate Governance set out in Appendix 5.1 of the Listing Rules and the non-financial key performance indicators relevant to the company, including information relating to environmental and employee matters.

DIRECTORS

The Directors who served on the Board during the year under review and up to the date of this report are listed hereunder.

Joseph A. Gasan (Executive Director & Chairman)
Christopher Mifsud (appointed on 11 April 2018)
Etienne Borg Cardona (appointed on 11 April 2018)
Isabella Vella (appointed on 19 July 2018)
Mario Camilleri
Bernard Gauci (Executive Director) (resigned on 11 April 2018)
Bettina Azzopardi (resigned on 11 April 2018)
Mark Gasan (Executive Director) (resigned on 11 April 2018)
Mario Gauci (Executive Director) (resigned on 11 April 2018)
Marlene Seychell (appointed on 11 April 2018, resigned on 22 June 2018)

In accordance with the provisions of the Articles of Association of the company, the Directors shall hold office until the subsequent annual general meeting, unless s/he resigns or is earlier removed in accordance with the Articles, provided that a Director whose term of office expires shall be eligible for re-appointment.

The Directors have a service contract with the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Main Street Complex p.l.c. for the year ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and may be made available on the company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

INFORMATION PROVIDED IN ACCORDANCE WITH LISTING RULE 5.70.1

There were no material contracts to which the company was a party, and in which anyone of the company's Directors was directly or indirectly interested.

GOING CONCERN

The Directors, as required by the Listing Rule 5.62, have considered the company's operating performance, the balance sheet at year-end, as well as the business plan for the coming year, and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. A resolution to re-appoint the auditors and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

INFORMATION PROVIDED IN ACCORDANCE WITH LISTING RULE 5.64

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, as the company redenominated 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 reserves to issued ordinary share capital. The authorised share capital of the company as at 31 December 2018 is €5,000,000 divided into 50,000,000 ordinary shares of €0.10 each. The issued share capital of the company is €1,938,462 divided into 19,384,619 ordinary shares of €0.10 each.

The Directors confirm that as at 31 December 2018, Embassy Limited held a shareholding in excess of 5% of the total issued share capital.

Any amendment to the company's Memorandum and Articles of Association has to be made in accordance with the Companies Act (Cap 386).

The company may, subject to the applicable restrictions, limitations and conditions contained in the Companies Act (Cap 386) acquire its own shares and or Equity Securities.

Pursuant to Listing Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 it is hereby declared that, as at 31 December 2018, none of the requirements apply to the company.

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and that this report includes a fair review of the performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 8 April 2019 and signed on its behalf by:

On behalf of the Board

Joseph A. Gasan
Director

Etienne Borg Cardona
Director

Registered office:
Main Street Complex
Antoine de Paule Square
Paola PLA 1262
Malta

8 April 2019

HIGHLIGHTS FROM 2018

During the year under review, Main Street has experienced the highest footfall since its opening, with more than 840,000 visitors in 2018

At the beginning of the year, Main Street has also welcomed its 10 millionth customer since its opening

The company took various initiatives to keep on investing towards the local community

As part of the company's commitment towards a cleaner environment, a number of PV panels were installed to enable the complex to generate most of its energy from solar power

The complex has retained all its tenants and operated at 94% occupancy with a mix of 19 popular outlets spread over 5 floors

The regeneration of the main square in Paola has been completed during 2018. This embellishment project has helped in attracting more people to this popular shopping destination

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

1. INTRODUCTION

Pursuant to the Listing Rules issued by the Listing Authority, Main Street Complex p.l.c. should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "Code"). In terms of Listing Rule 5.94, the company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The company acknowledges that the Code does not dictate or prescribe mandatory rules, but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the Directors' and the company's commitment to a high standard of good governance.

The Board of Directors (the "Board") has carried out a review of the company's compliance with the Code for the financial year being reported upon.

2. GENERAL

The company's governance principally lies with its Board, which is responsible for the overall determination of the company's policies and business strategies. The company's principal activity is the management and operation of Main Street Complex, a shopping and entertainment mall located in Paola, Malta.

The company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the company, whilst retaining an element of flexibility essential to allow the company to react promptly and efficiently to circumstances arising in respect of its business, taking into account its size and the economic conditions in which it operates. The Directors are of the view that it has employed structures, which are most suitable and complementary for the size, nature and operations of the company. Accordingly, in general the Directors believe that the company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the company's requirements.

This corporate governance statement (the "Statement") sets out the structures and processes in place within the company and explains how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and set out the manner in which the Directors believe that these have been adhered to. Where the company has not complied with any of the principles of the Code, this Statement will provide an explanation for the non-compliance.

It is to be noted that reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and provisions.

3. COMPLIANCE WITH THE CODE

PRINCIPLES ONE TO FIVE

PRINCIPLES ONE TO FIVE OF THE CODE DEAL FUNDAMENTALLY WITH THE ROLE OF THE BOARD AND OF THE DIRECTORS.

The Directors believe that for the period under review the company has generally complied with the requirements for each of these principles.

PRINCIPLE ONE: THE BOARD

The Board is composed of members who are fit and proper to direct the business of the company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the company. The Board is accountable to shareholders and other relevant stakeholders for its performance and that of its delegates.

The Board is responsible for determining the company's strategic aims and organisational structure, whilst ensuring that the company has the appropriate mix of financial and human resources to meet its objectives and improve its performance.

The Board consists of a mix of executive and non-executive Directors that enables the Board, and particularly the non-executive Directors, to have direct information about the company's performance and business activities.

PRINCIPLE TWO: CHAIRMAN AND CHIEF EXECUTIVE

In terms of Article 13 of the Articles of Association of the company, the Board of Directors may from time to time appoint any person to the office of Chief Executive Officer of the company, and on such terms as they think fit. The functions and duties of Chief Executive Officer are performed by Bettina Azzopardi, in her capacity as managing director of Embassy Management Limited, which, pursuant to the terms of a management support services agreement between the latter and the company, is responsible for the day-to-day management of the company and its business operations.

Joseph A. Gasan was appointed as the Chairman of the Board for the year under review. The Chairman's main function is to lead the Board and set its agenda, a function which the Board believes has been conducted in compliance with the dictates of Code Provision 2.2. The Chairman is also responsible to ensure that the Board receives precise, timely and objective information in order for the Directors to take sound decisions and effectively monitor the performance of the company. The Chairman ensures that there is effective communication with stakeholders and, during Board meetings, that there is active engagement by all Directors for the discussion of complex and/or contentious issues. The Board considers that notwithstanding that the Chairman is not an independent Director as recommended by the Code, the means for addressing potential conflicts of interest are suitably addressed in the Articles of Association of the company and terms of reference of the Audit Committee of the company. Furthermore, the Board considers the present Chairman to be fit and proper to occupy the role.

PRINCIPLE THREE: COMPOSITION OF THE BOARD

The composition of the Board, in line with the requirements of Principle Three of the Code,
is composed of executive and non-executive Directors, including independent non-executives, as follows:

Joseph A. Gasan	Executive Director and Chairman
Mario Camilleri	Executive Director
Etienne Borg Cardona	Non-Executive Director (appointed on 11 April 2018)
Christopher Mifsud	Non-Executive Director (appointed on 11 April 2018)
Isabella Vella	Non-Executive Director (appointed on 19 July 2018)

The following also held the post of Director of the company for part of the period under review,
but have since resigned:

Marlene Seychell	Non-Executive Director (appointed on 11 April 2018 and resigned on 22 June 2018)
Bettina Azzopardi	Director (resigned on 11 April 2018)
Mark Gasan	Director (resigned on 11 April 2018)
Mario Gauci	Director (resigned on 11 April 2018)
Bernard Gauci	Director (resigned on 11 April 2018)

Marlene Seychell resigned from her position as a non-executive Director with effect from 22 June 2018, which resignation was made public by way of a company announcement on the same date. Isabella Vella was co-opted onto the Board as an independent non-executive Director of the company with effect from 19 July 2018. This appointment was made by the Board of Directors on the recommendation of its Nominations Committee pursuant to Article 17.3 of the Articles of Association of the company relative to the filling of vacancies on the Board arising prior to the annual general meeting.

Bettina Azzopardi was replaced by Dr Malcolm Falzon as Company Secretary with effect from 11 April 2018.

APPOINTMENT AND REMOVAL OF DIRECTORS

Pursuant to generally accepted practices, as well as the company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board, which vacancy may be filled by co-option by the Board on the recommendation of the Nominations Committee.

The Articles of Association provide for two mechanisms by virtue of which Directors may be appointed: (i) holders of 17% or more of the voting rights in the company have the right to appoint one (1) Director for each and every block of shares representing 17% of the issued share capital of the company having voting rights, by way of letter addressed to the company; (ii) any one or more shareholders who in aggregate hold not less than 5% in nominal value of shares having voting rights, may nominate fit and proper persons having the appropriate level and mix of skills, knowledge and experience required for appointment to the Board, such nominations being subject to the approval of the Nominations Committee. In addition, nominations may also be made by the Board or the Nominations Committee, for consideration by the shareholders at the annual general meeting of the company.

A Director may be removed at any time by ordinary resolution of the shareholders of the company, or in any of the specific instances set out in the Articles of Association of the company.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

In line with supporting principle 3 (iii) of main principle three, at least one third of the Board consists of non-executive Directors. These non-executive Directors play an important role in overseeing executive Directors and management, ensuring a system of checks and balances and contributing to the strategic direction of the company in an objective manner.

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code, [notwithstanding the relationships disclosed hereunder].

None of the non-executive Directors:
(a) are or have been employed in any capacity by the company;
(b) receive significant additional remuneration from the company;
(c) have close family ties with any of the executive members of the Board;
(d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the company; and
(e) have a significant business relationship with the company.

In terms of Code Provision 3.4, each non-executive Director has declared in writing to the Board that he/she undertakes:
- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the company.

PRINCIPLE FOUR: THE RESPONSIBILITIES OF THE BOARD

In terms of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development.

The Board of Directors is entrusted with the overall direction, administration and management of the company and meets on a regular basis to discuss and take decisions on matters concerning the strategy, operational performance and financial performance of the company. The Board may also delegate specific responsibilities to ad-hoc Committees as may be required from time to time, and in the year under review, the Board has established and maintained an Audit Committee and a Nominations Committee.

ROLE AND RESPONSIBILITIES OF THE BOARD

The role of the Board is exercised in a manner designed to ensure that it can function independently of management and effectively supervises the operations of the company. The Board is presented by the Financial Controller of the contracted management company with monthly management accounts covering the period since the preceding Board meeting.

In fulfilling its mandate, the Board assumes responsibility to:

a) Establish appropriate corporate governance standards;
b) Review, evaluate and approve, on a regular basis, long-term plans for the company;
c) Review, evaluate and approve the company's budgets and forecasts;
d) Review, evaluate and approve major resource allocations and capital investments;
e) Review the financial and operating results of the company;
f) Ensure appropriate policies and procedures are in place to manage risks and internal control;
g) Review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
h) Review, evaluate and approve compensation to senior management; and
i) Review periodically the company's objectives and policies relating to social, health and safety and environmental responsibilities.

In fulfilling its responsibilities, the Board continuously assesses and monitors the company's present and future operations, opportunities, threats and risks in the external environment, and its current and future strengths and weaknesses. The Board evaluates and reviews the implementation of the business and financial strategy of the company.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed legal advisor and other advisors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the company's expense.

The Board does not consider it necessary to constitute separate committees to deal, inter alia, with item (h) above, as might be appropriate in a larger company. The Board believes that the size of the company and the Board itself does not warrant the setting up of an ad hoc committee to establish the remuneration packages of individual Directors, and relies on the constant scrutiny of the Board itself, the company's shareholders, the market and the rules by which Main Street Complex p.l.c. is regulated as a listed company. The Board shall retain this matter under review over the coming year.

During the financial year under review, the Board held eight (8) meetings.

THE AUDIT COMMITTEE

In line with the requirements of the Listing Rules, the company has established an Audit Committee whose principal role is the monitoring of internal systems and control. Unlike the provisions of the Code, which are not mandatory in nature, the Directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules.

The members of the Audit Committee for the year under review were Etienne Borg Cardona (Chairman of the Audit Committee), Christopher Mifsud and Isabella Vella as from 19 July 2018, replacing Marlene Seychell who resigned on 22 June 2018, each an independent non-executive Director of the company. Etienne Borg Cardona is the Audit Committee member who is considered to be competent in accounting and/or auditing in terms of Listing Rule 5.117. The Directors believe that each of Etienne Borg Cardona, Christopher Mifsud and Isabella Vella (and previously Marlene Seychell) satisfies the independence criteria specified by the Code as explained above in this Statement.

The Audit Committee is vested with the task of ensuring that any potential conflicts of interest are resolved in the best interests of the company. Its primary objective is to assist the Board in dealing with issues of risk, control and governance, and in reviewing the company's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilities communication between the company's Board, management and external auditors. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. Its main role and responsibilities relate to the review of the company's financial reporting process and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties, and the company's process for monitoring compliance with laws and regulations.

The terms of reference of the Audit Committee, approved by the Board, are modelled on the recommendations of the Listing Rules.

The external auditors are invited to attend specific meetings of the Audit Committee and are entitled to convene a meeting if considered necessary.

In the period under review, the Audit Committee met four (4) times.

PRINCIPLE FIVE: BOARD MEETINGS

The Board believes that it complies fully with the requirements of this principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time to Directors to prepare themselves for such meetings.

Minutes are prepared during Board meetings recording faithfully attendance, discussions and resolutions. These minutes are subsequently circulated to all Directors as soon as practicable after the meeting.

The Board meets as often and as frequently as is required in line with the nature and demands of the business of the company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the company.

The following reports the attendance at Board meetings of each of the Directors during the period under review:

Name	Capacity	Pre-listing of the company	Post-listing of the company
Joseph A. Gasan	Executive Director & Chairman	6	5
Mario Camilleri	Executive Director	6	5
Etienne Borg Cardona	Non-Executive Director	3	5
Christopher Mifsud	Non-Executive Director	3	5
Isabella Vella	Non-Executive Director (appointed on 19 July 2018)	N/A	4
Marlene Seychell	Non-Executive Director (resigned on 22 June 2018)	3	1
Mark Gasan	Director (resigned on 11 April 2018)	3	N/A
Bettina Azzopardi	Director and Company Secretary (resigned on 11 April 2018)	3	N/A
Mario Gauci	Director (resigned on 11 April 2018)	3	N/A
Bernard Gauci	Director (resigned on 11 April 2018)	3	N/A

Board meetings are also attended by representatives of management, principally Bettina Azzopardi (CEO) and Simon Demarco (Financial Controller).

The Chairman ensures that all issues relevant to long-term strategic and short-term performance of the company are placed on the agenda of Board meetings and, for the purpose of discussion thereon, are supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to the discussion.

PRINCIPLE SIX: INFORMATION AND PROFESSIONAL DEVELOPMENT

The Board believes that this principle has been duly complied with for the period under review. The Board actively participates in the appointment of senior management and ensures that there is adequate training for Directors and management. The Board ensures that all Directors are supplied with precise, timely and clear information so as to enable them to effectively contribute to Board decisions in line with the high standards expected of them.

Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the company, in order to ensure that each Director is aware of his/her legal and fiduciary obligations. The company is also prepared to bear the expense incurred by the Directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as Directors. The Board also actively considers the professional and technical development of all senior management. During the period under review, a number of information sessions were held with a view to ensuring that Directors and senior management are made aware of, inter alia, their statutory and fiduciary duties and the skills and competence requirements of senior management. The company pledges to make available to the Directors all training and advice as required.

PRINCIPLE SEVEN: EVALUATION OF THE BOARD'S PERFORMANCE

The Board is of the view that over the period under review, all members of the Board, individually and collectively, have contributed to proceedings in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively.

PRINCIPLE EIGHT: COMMITTEES

Principle Eight A of the Code deals with the establishment of a Remuneration Committee aimed at developing policies on remuneration for Directors and senior executives and devising appropriate remuneration packages.

The size and structure of the company and its management are such that, in the opinion of the Directors, the establishment of an ad hoc Remuneration Committee is not warranted. Remuneration policies have therefore been retained within the remit of the Board itself.

REMUNERATION STATEMENT

In terms of Article 20.1 of the Articles of Association of the company, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the company in general meeting. The maximum aggregate annual Directors' emoluments currently approved by the shareholders, including salaries due in respect of executive roles, amount to €40,000.

The aggregate amount of remuneration paid to all Directors of the company for the period under review was €26,000. The remuneration of senior officers of the company is regulated by the terms of the management support services agreement entered into with Embassy Management Limited.

All of the Directors are party to a service contract with the company, setting out their respective roles and responsibilities, and applicable remuneration.

Principle Eight B of the Code deals with the requirement of a formal and transparant procedure for the appointment of Directors.

NOMINATIONS COMMITTEE

The Board believes that the main principle has been duly complied with, as the Articles of Association establish a formal and transparant procedure for the appointment and nomination of Directors, and provide for the establishment of the Nominations Committee.

A Nominations Committee has been appointed to lead to the process for Board appointments and to make recommendations to it. The Nominations Committee consists of Joseph A. Gasan, Etienne Borg Cardona and Christopher Mifsud (previously Marlene Seychell). In accordance with Code Provision 8.B.1, the Nominations Committee is composed entirely of Directors, the majority of whom are non-executive, with all of the latter also being independent.

One of the principal functions of the Nominations Committee is to periodically assess the skills, knowledge and experience of individual Directors necessary for the Board to have the appropriate level of skill, competence and experience that would endow the Board with the requisite collective knowledge and skill necessary for the proper functioning of the company and its oversight by the Board of Directors, and to report and make its recommendations on this to the Board.

The Nominations Committee is empowered by the Articles of Association to reject any recommendation made to it if, in its considered opinion, the appointment of the person so recommended as a Director could be detrimental to the company's interests or if such person is not considered fit and proper to occupy that position.

The Nominations Committee and the existing Board members themselves may also make recommendations for the appointment of new directors at the annual general meeting. Where the number of candidates approved by the Nominations Committee is greater than the number of vacancies on the Board of Directors, an election would take place in accordance with the provisions of the Articles of Association.

During the period under review, the Nominations Committee was involved in the nomination and appointment of Isabella Vella as an independent non-executive Director of the company in July 2018 following Marlene Seychell's resignation in June 2018.

PRINCIPLES NINE AND TEN: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET, AND INSTITUTIONAL SHAREHOLDERS

The company is highly committed to having an open and communicative relationship with its shareholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, two Interim directors' statements and respective company announcements, the company seeks to address the diverse information needs of its broad spectrum of shareholders in various ways.

The Board serves the legitimate interests of the company, accounts to shareholders fully and ensures that the company communicates with the market effectively and in a timely manner through a number of company announcements that it published, informing the market of significant events relevant to the company and its business. The Board notes that the reaction of market participants to the company's communication strategy of important events has been positive.

At its forthcoming Annual General Meeting, the Board intends to communicate directly with shareholders on the performance of the company over the period under review and to inform shareholders of the challenges and opportunities that lie ahead.

Business at the company's Annual General Meeting covers the approval of the Annual Report and Audited Financial Statements, the declaration of a final dividend, the election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration. The company's Articles of Association allow shareholders to call special meetings on matters of importance to the company, provided that the minimum threshold of ownership established in the Articles of Association is met.

Apart from the Annual General Meeting, the company intends to continue with its active communication strategy in the market, and shall accordingly continue to communicate with its shareholders and the market by way of the Annual Report and Audited Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of company announcements to the market in general. The company recognises the importance of maintaining dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner.

As a source of further information to the market, the company's website **(http://mainstreetcomplex.com/investor-relations/)** also contains information about the company, its business and developments pertinent to Main Street Complex.

It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared, so that steps may be taken to ensure that such items are appropriately addressed. The steps taken will depend on the circumstances of the particular case, and may include the setting up of ad-hoc committees of independent Directors that would assist and monitor management as appropriate in the execution of specific transactions. By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Memorandum and Articles of Association. The Board believes that this is a procedure that achieves compliance with both the letter and rationale of principle eleven. During the period under review, the company did not enter into any material agreements in which any one of the Directors was directly or indirectly interested.

In situations giving rise to potential conflicts of interest, the conflicted Directors are to act in accordance with the majority decision of those Directors who are not conflicted in the proposed contract, transaction or arrangement, and in line with the advice of outside legal counsel where such is solicited.

RELATED PARTY TRANSACTIONS

The following are related party transactions that the company has entered into during the year under review or otherwise ensuing up until the year under review:

i. transactions with Embassy Limited;
ii. transactions with entities ultimately controlled by Embassy Limited; and
iii. transactions with the Directors of the company.

In the opinion of the Board, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the company. The following related party transactions, as further disclosed in Note 22 to the financial statements, are deemed to have a material effect on the operating results and financial position of the company:

INCOME FROM SERVICES	**2018**	**2017**
Concession income	€72,265	€167,438
Common area maintenance and water and electricity charges recovered	€16,595	€23,310
EXPENDITURE FOR SERVICES		
Management and administration fees	€30,000	€30,000
Other expenses	€37,991	€15,899

Other than the aforesaid, the Directors are not aware of any related party transactions having been entered into by the company up until the year under review. In particular, the company has not entered into material transactions with key management personnel that would warrant disclosure for the purpose of understanding the company's financial results or financial position. Furthermore, the company has not entered into material transactions with entities in which its key management personnel directly or indirectly have an interest or over which they have direct or indirect influence.

Further information on the related party transactions mentioned above may be found in Note 22 to the financial statements.

PRINCIPLE TWELVE: CORPORATE SOCIAL RESPONSIBILITY

The Directors are committed to high standards of ethical conduct and to contribute to the well-being of the local community and society at large. The company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The Directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital and safety issues and to adopt environmentally friendly responsible practices.

4. NON-COMPLIANCE WITH THE CODE

The Directors set out below the Code Provisions with which the company does not comply and an explanation as to the reasons for such non-compliance:

CODE PROVISION	EXPLANATION
2.3	With respect to Code Provision 2.3, the Board notes that the Chairman is also an executive member of the Board. However, the Board is of the view that this function of the Chairman does not impinge on his ability to bring to bear independent judgement to the Board.
4.2	The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7.
7.1	The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1. The Board believes that the size of the company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad-hoc committee for this purpose. The Board shall retain this matter under review over the coming year.
8A	The Board has not appointed a Remuneration Committee in line with Code Provision 8A. The Board believes that the size of the company and the Board itself does not warrant the setting up of an ad hoc committee to establish the remuneration packages of individual Directors, and relies on the constant scrutiny of the Board itself, the company's shareholders, the market and the rules by which the company is regulated as a listed company. In addition, the Board took into consideration the fact that the remuneration of the Board is not performance related. The Board intends to keep under review the utility and possible benefits of having a Remuneration Committee in due course.
9.3	There are no formal procedures in place within the company for the resolution of conflicts between minority and controlling shareholders, nor do the Memorandum and Articles of Association of the company contemplate any mechanism for arbitration in these instances.
9.4	The company does not have a policy in place to allow minority shareholders to present an issue to the Board. In practice, however, the open channel of communication between the company and minority shareholders via the Office of the Company Secretary is such that any issue that may merit bringing to the attention of the Board may be transmitted via the Company Secretary, who is in attendance at all meetings of the Board of Directors.

5. INTERNAL CONTROL

The Board is ultimately responsible for the company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the company's system of internal controls. The key features of the company's system of internal control are as follows:

ORGANISATION

The company operates through the Board with clear reporting lines and delegation of powers.

CONTROL ENVIRONMENT

The company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. company policies and employee procedures are in place for the reporting and resolution of improper activities.

The company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

RISK IDENTIFICATION

Management is responsible for the identification and evaluation of key risks applicable to their respective areas of business.

6. GENERAL MEETINGS

The general meeting is the highest decision making body of the company and is regulated by its Articles of Association. All shareholders registered on the register of members of the company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days' notice, which notice must specify the place, day and hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of such special business. The notice period may be reduced to 14 days if certain conditions are satisfied.

At an Annual General Meeting, what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the financial statements and the reports of the Directors and the auditors, the election of Directors, the appointment of auditors and the fixing of remuneration of Directors and auditors. Other business, which may be transacted at a general meeting (including at the Annual General Meeting), will be dealt with as "Special Business".
The quorum of shareholders required is not less than fifty-one (51%) of the nominal value of the issued share capital in respect of which holders thereof are entitled to attend and vote at the meeting. Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, each shareholder is entitled to one vote and on a poll, each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for such person.

The Directors' statement of responsibilities for preparing the financial statements is set out on page 8.

The information required by Listing Rule 5.97.5, where applicable for the company, is found in the Directors' Report.

Approved by the Board of Directors on 8 April 2019 and signed on its behalf by:

Joseph A. Gasan
Director

Etienne Borg Cardona
Director

Independent auditor's report
To the Shareholders of Main Street Complex p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Main Street Complex p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Main Street Complex p.l.c.'s financial statements, set out on pages 33 to 58, comprise:

- the statement of financial position as at 31 December 2018;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

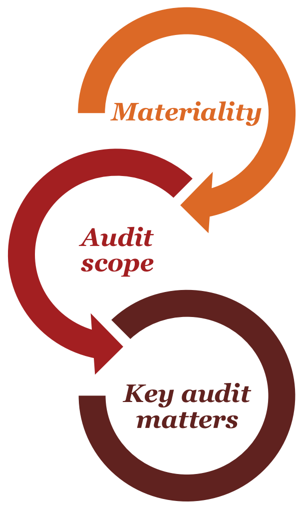
Independent auditor's report - continued
To the Shareholders of Main Street Complex p.l.c.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company in the period from 1 January 2018 to 31 December 2018, are disclosed in Note 14 to the financial statements.

Our audit approach

Overview



Overall materiality: €22,000, which represents 5% of profit before tax.

Valuation of property, plant and equipment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report - continued

To the Shareholders of Main Street Complex p.l.c.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€22,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2,200 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
The company's property comprises Main Street Complex, having an aggregate value of €13 million. The property, which leases units primarily for retail activity, was revalued as at 31 December 2017 by an independent professionally qualified valuer. As explained in Note 4 to the financial statements, the valuation was determined using discounted cash flow projections. The most significant estimates and judgements affecting these valuations include the projected pre-tax cash flows or concession income, the growth rates and the discount/capitalisation rates. The valuation considers the agreements in hand as well as possible future concession income streams that are comparable to market.	We agreed the property information in the valuation to the underlying property records held by the company. We tested the data inputs, including the concession income by agreeing them to supporting concession agreements and documentation. We understood the methodology, tested the accuracy of the workings within the valuation model, and challenged the assumptions to ensure that they apply for the year under review. We engaged our own in-house valuation experts to review and challenge the valuation approach and assumptions for the properties. We discussed the valuations with the Audit Committee and concluded, based on our audit work, that the property valuation was within an acceptable range of values.

Independent auditor's report - continued

To the Shareholders of Main Street Complex p.l.c.

Key audit matter	How our audit addressed the key audit matter
Following the Directors' valuation assessment as at 31 December 2018 to assess whether any significant changes occured since the last external valuations, no revaluation adjustment was required. We focused on this area because of the significance of the carrying value of the property in the company's statement of financial position and the judgemental nature of the assumptions used in the valuation model. The Directors have also taken into consideration future developments in the location that will impact the concession income in the immediate future. The existence of significant estimates referred to previously could result in material misstatement, which is why we have given specific focus and attention to this area.	In relation to these assets, we found that the discount rate was predominately consistent with comparable information for property in the area. We held meetings with the Directors on the year-end valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

Independent auditor's report - continued

To the Shareholders of Main Street Complex p.l.c.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, and the Chairman's statement but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent auditor's report - continued

To the Shareholders of Main Street Complex p.l.c.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - *continued*

To the Shareholders of Main Street Complex p.l.c.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 12 to 24 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

Independent auditor's report - *continued*

To the Shareholders of Main Street Complex p.l.c.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditors of the company for the period ending 30 April 2005. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 14 years. The company became listed on a regulated market on 30 May 2018.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

8 April 2019

STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**12,990,826**	13,000,000
Current assets			
Trade and other receivables	6	**193,415**	421,189
Cash and cash equivalents	7	**120,284**	17,564
Total current assets		**313,699**	438,753
Total assets		**13,304,525**	13,438,753
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**1,938,462**	1,395,487
Share premium	9	**2,876,923**	-
Revaluation reserve	10	**5,814,177**	5,814,177
Retained earnings		**1,000,821**	830,317
Total equity		**11,630,383**	8,039,981
Non-current liabilities			
Deferred tax liability	5	**1,284,127**	1,284,127
Trade and other payables	12	**-**	780,728
Borrowings	11	**-**	2,685,952
Total non-current liabilities		**1,284,127**	4,750,807
Current liabilities			
Borrowings	11	**-**	350,274
Trade and other payables	12	**302,056**	281,182
Current tax liabilities		**87,959**	16,509
Total current liabilities		**390,015**	647,965
Total liabilities		**1,674,142**	5,398,772
Total equity and liabilities		**13,304,525**	13,438,753

The notes on pages 37 to 58 are an integral part of these financial statements.

The financial statements on pages 33 to 58 were authorised for issue by the Board of Directors on 8 April 2019 and were signed on its behalf by:

Joseph A. Gasan
Director

Etienne Borg Cardona
Director

INCOME STATEMENT

	NOTES	Year ended 31 December 2018 €	2017 €
Revenue	13	**742,341**	734,292
Operating expenses	14	**(81,072)**	(81,914)
Depreciation	14	**(99,331)**	(88,914)
Administrative expenses	14	**(77,133)**	(37,437)
Operating profit		**484,805**	526,027
Finance costs	16	**(45,687)**	(111,697)
Finance income		**253**	1,614
Profit before tax		**439,371**	415,944
Tax expense	17	**(127,201)**	(85,601)
Profit for the year		**312,170**	330,343
Earnings per share	18	**0.02**	0.02

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December 2018 €	2017 €
Profit of the year		**312,170**	330,343
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Surplus arising on revaluation of land and buildings	10	**-**	1,088,914
- Movement in deferred tax	10	**-**	(100,934)
Total other comprehensive income		**-**	987,980
Total comprehensive income		**312,170**	1,318,323

The notes on pages 37 to 58 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	NOTES	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 year		-	-	-	330,343	330,343
Other comprehensive income						
Items that will not be reclassified to profit or loss profit or loss						
- Surplus arising on revaluation of land and buildings	10	-	-	1,088,914	-	1,088,914
- Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals		-	-	(100,934)	-	(100,934)
Total comprehensive income		-	-	987,980	330,343	1,318,323
Balance at 31 December 2017		**1,395,487**	**-**	**5,814,177**	**830,317**	**8,039,981**
Balance at 1 January 2018		1,395,487	-	5,814,177	830,317	8,039,981
Comprehensive income						
Profit for the period		-	-	-	312,170	312,170
Transactions with owners						
Capitalisation of share capital	8	19,898	-	-	(19,898)	-
Issue of share capital	8, 9	523,077	2,876,923	-	-	3,400,000
Dividends for 2018	19	-	-	-	(121,768)	(121,768)
Total transactions with owners		542,975	2,876,923	-	(141,666)	3,278,232
Balance at 31 December 2018		**1,938,462**	**2,876,923**	**5,814,177**	**1,000,821**	**11,630,383**

The notes on pages 37 to 58 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	NOTES	Year ended 31 December 2018 €	2017 €
Cash flows from operating activities			
Cash generated from operations	20	**724,348**	531,068
Interest paid	16	**(45,687)**	(111,697)
Interest received		**253**	1,614
Tax paid		**(55,751)**	(135,764)
Net cash generated from operating activities		**623,163**	285,221
Cash flows from financing activities			
Decrease in bank borrowings	11	**(3,036,226)**	(350,984)
Dividends paid	19	**(121,768)**	-
Movement in group balances	6, 12	**(677,126)**	(68,465)
Movement in related party balances	6, 12	**4,834**	93,605
Proceeds from issuance of share capital	8	**3,400,000**	-
Net cash used in financing activities		**(430,286)**	(325,844)
Cash flows from investing activities			
Additions to property, plant and equipment	4	**(90,157)**	-
Net cash used in investing activities		**(90,157)**	-
Net movement in cash and cash equivalents		**102,720**	(40,623)
Cash and cash equivalents at beginning of year		**17,564**	58,187
Cash and cash equivalents at end of year	7	**120,284**	17,564

The notes on pages 37 to 58 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention.

As at 31 December 2018 the company's current liabilities exceeded current assets by €76,317 (2017: €209,212). The company envisages that a level of earnings will be generated throughout the forthcoming financial year, which will enable the company to manage effectively its forecasted cash flows and liquidity needs.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting year beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, apart from the application of IFRS 9 – Financial Instruments.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies, but no adjustments to the amounts recognised in the financial statements were required.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2018. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's Directors are of the opinion that there are no requirements with the possible exception of the IFRSs below that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS 16 was published in January 2016 and will be effective from 1 January 2019, replacing IAS 17 'Leases'. The company did not early-adopt the standard and transition to IFRS 16 will take place on 1 January 2019. Since the accounting for lessors will not significantly change, the Directors do not anticipate a significant impact on the company's results and financial position on the adoption of IFRS 16.

1.2 CHANGES IN ACCOUNTING POLICIES

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.5. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The company has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:
- Trade receivables; and
- Cash and cash equivalents

From 1 January 2018 the company assessed on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade receivables, the company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact of the change in impairment methodology on the company's retained earnings and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

1.3 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment, is initially recorded at cost. Land and buildings are subsequently stated at market value, based on valuations by external independent valuers, less depreciation. Valuations of land and buildings are carried out regularly, such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. All other property, plant and equipment are stated at historical cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Land and buildings	1
Improvements to premises	5
Plant, machinery and equipment	5 - 25
Furniture, fixtures and fittings	10 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.5).

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

1.5 FINANCIAL ASSETS

Accounting policies applied subsequent to 1 January 2018

From 1 January 2018, the company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

1.5 FINANCIAL ASSETS - CONTINUED

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.5.1 RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

1.5.2 MEASUREMENT

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.5 FINANCIAL ASSETS - CONTINUED

1.5.2 MEASUREMENT - CONTINUED

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1.5.3 IMPAIRMENT

From 1 January 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied until 31 December 2017

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

1.5.4 CLASSIFICATION

The company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.6 and 1.7).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.5 FINANCIAL ASSETS - CONTINUED

1.5.5 RECOGNITION AND MEASUREMENT

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.5.6 IMPAIRMENT

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assesses whether objective evidence of impairment exists. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the differ-ence between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.6 TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, i.e. expected credit loss allowance. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance ac-count for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in profit or loss.

Impairment of financial assets is described in Note 1.5.3 (2017: Note 1.5.6) above.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.7 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.8 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.9 FINANCIAL LIABILITIES

The company recognises a financial liability in its statement of financial position when it be-comes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 TRADE AND OTHER PAYABLES

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.11 BORROWINGS

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of fi-nancial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.13 CURRENT AND DEFERRED TAX

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.15 REVENUE RECOGNITION

Revenues include all revenues from the ordinary business activities. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax.

(a) Sales of services

Revenue from services is generally recognised in the period in which the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(b) Property related income

Concession income receivable and premia charged to tenants of property are recognised in the period when the property is occupied. Premia is charged to profit or loss over the period of the leases to which they relate.

(c) Interest income

Interest income is recognised for all interest-bearing instruments on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1.16 LEASES

(a) Where the company is a lessee

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) Where the company is a lessor

Assets leased out under operating leases are mainly being leased to related and other third parties, with other assets being included in property, plant and equipment in the statement of financial position. The latter are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Concession income is recognised as it accrues, unless collectability is in doubt.

1.17 FINANCE COSTS

Finance costs are recognised in profit or loss for all interest-bearing instruments on an accruals basis using the effective yield method. Finance costs includes the effects of amortising any difference between net proceeds and redemption value in respect of the company's borrowings. Finance costs are charged against income without restrictions. No borrowing costs have been capitalised.

1.18 DIVIDENDS

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

1.19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

1.20 EARNINGS PER SHARE

The company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2. FINANCIAL RISK MANAGEMENT

2.1 FINANCIAL RISK FACTORS

The company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise

potential adverse effects on the company's financial performance.

The company does not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Board of Directors provides principles for overall company risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

All the assets and liabilities of the company are denominated in the functional currency and accordingly, the company is not exposed to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The company does not have significant interest-bearing assets, and its income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from short term and long term borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to Note 11), expose the company to cash flow interest rate risk. The company's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate.

Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central bank.

Based on this, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

(b) Credit risk

Credit risk arises from cash and cash equivalents, receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date was:

	2018	2017
Loans and receivables category	**€**	€
Trade and other receivables (Note 6)	**190,710**	403,843
Cash and cash equivalents (Note 7)	**120,284**	17,564
	310,994	421,407

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold any significant collateral as security in this respect. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and deferred expenditure.

2. FINANCIAL RISK MANAGEMENT - CONTINUED

2.1 FINANCIAL RISK FACTORS - CONTINUED

TRADE AND OTHER RECEIVABLES

The company assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The company's management monitors the performance of its trade and other receivables on a regular basis to identify expected collection losses, which are inherent in the company's debtors, taking into account historical experience in collection of accounts receivable. The company's trade receivables which are not impaired financial assets are principally debts in respect of transactions with customers for whom there is no history of default. Management does not expect any losses form non-performance by these customers.

Impairment of trade and other receivables

The company applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

In measuring the expected credit losses on trade receivables, the expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company adjusts the historical loss rates based on expected changes in these factors.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. As at 31 December 2018, the impact of the change in impairment methodology on the company's retained earnings and equity, was immaterial.

CASH AND CASH EQUIVALENTS

The company principally banks with local financial institutions with high quality standing or rating.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

2. FINANCIAL RISK MANAGEMENT - CONTINUED

2.1 FINANCIAL RISK FACTORS - CONTINUED

(B) CREDIT RISK - CONTINUED

PREVIOUS ACCOUNTING POLICY FOR IMPAIRMENT OF TRADE AND OTHER RECIEVABLES - CONTINUED

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(c) *Liquidity risk*

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables (refer to notes 11 and 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period detailed by the company's segments to ensure that no additional financing facilities are expected to be required over the coming year.

Moreover, annual detailed cash flow projections are prepared to assess the matching of cash inflows and outflows arising from expected maturities of financial instruments. The company manages its liquidity risk through this continuous assessment, coupled with the company's committed borrowing facilities (that it can access) to meet liquidity needs as referred to previously.

The following table analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	CARRYING AMOUNT €	CONTRACTUAL CASH FLOWS €	WITHIN ONE YEAR €	ONE TO FIVE YEARS €	OVER FIVE YEARS €
31 December 2018					
Trade and other payables	302,057	302,057	302,057	-	-
	302,057	302,057	302,057	-	-
31 December 2017					
Bank borrowings	3,036,226	3,496,660	449,741	1,679,628	1,367,291
Trade and other payables	1,061,910	1,061,910	1,061,910	-	-
	4,098,136	4,558,570	1,511,651	1,679,628	1,367,291

2.2 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure that borrowings are adequately serviced and repaid on their contractual maturity date. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the Directors.

2. FINANCIAL RISK MANAGEMENT - CONTINUED

2.3 FAIR VALUE ESTIMATION

At 2018 and 2017 the carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The land and buildings class of property, plant and equipment is fair valued on the basis of professional advice, which considers current market prices for the properties. Fair valuation of property requires the extensive use of judgement and estimates. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The Directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. 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 (Note 10)				
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 31 December 2017				
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 31 December 2018				
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**

Fair value of land and buildings

The land and buildings within property, plant and equipment were revalued on 31 December 2017 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 31 December 2018, on the basis of the assessments carried out by the independent property valuers. No adjustments to the carrying amounts were deemed necessary during the current financial year.

4. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

As at 31 December 2017, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised an increase of €1,088,914 in the carrying values for the company to reflect the property's estimated open market value. This increase was recognised in other comprehensive income as a property revaluation reserve within shareholders' equity.

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 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 current financial year there were no transfers between the fair value levels.

The company's land and buildings represent Main Street Complex and their current use equates to the highest and best use.

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 assess 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 Complex, in the main based on current concession agreements, 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 concession income streams less operating costs (before depreciation) which include marketing and maintenance expenses.
- Growth rate, at an average of 2.5%: represents the estimated average growth of the company's concession income.
- 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. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Historical cost of land and buildings

The carrying value of land and buildings would have been as follows had these assets been included in the financial statements at cost less depreciation:

	2018 €	2017 €
Cost	**6,572,551**	6,572,551
Accumulated depreciation	**(790,684)**	(711,111)
	5,781,867	5,861,440

5. DEFERRED TAXATION

	2018 €	2017 €
At beginning of year	**(1,284,127)**	(1,183,193)
Tax effect on revaluation (Note 10)	**-**	(100,934)
At end of year	**(1,284,127)**	(1,284,127)

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2017: 35%), except for deferred taxation on the fair valuation of property which is computed on the basis applicable to disposals of immovable property, i.e. tax rate of 10% of the transfer value.

The balance at 31 December represents temporary differences attributable to:

	2018 €	2017 €
Property, plant and equipment	**9,440**	9,440
Revaluation of property	**(1,293,567)**	(1,293,567)
Deferred tax liability	**(1,284,127)**	(1,284,127)

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be mainly recovered and settled after more than twelve months.

6. TRADE AND OTHER RECEIVABLES

	2018 €	2017 €
Current		
Trade receivables	**135,846**	220,993
Amounts owed by related parties	**44,184**	49,818
Amounts owed by parent company	**-**	103,602
Other receivables	**10,680**	29,430
Prepayments	**2,705**	17,346
	193,415	421,189

Trade receivables amounting to €1,939 (2017: €3,358) are subject to interest at 8% (2017: 8%).
Amounts owed by related parties and parent are unsecured, interest free and are repayable on demand.

7. CASH AND CASH EQUIVALENTS

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

	2018 €	2017 €
Cash at bank	**120,284**	17,564

8. SHARE CAPITAL

	2018 €	2017 €
Authorised share capital		
50,000,000 ordinary shares of €0.10 each		
(2017: 1,400,000 ordinary shares of €1 each)	**5,000,000**	1,400,000
Issued and fully paid share capital		
19,384,619 ordinary shares of €0.10 each		
(2017: 1,395,487 ordinary shares of €1 each)	**1,938,462**	1,395,487

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 reserves.

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, €2,876,923 of which is included in share premium (Note 9).

9. SHARE PREMIUM

	2018 €	2017 €
At end of year	**2,876,923**	-

The share premium arose on the issue of 5,230,769 ordinary shares at a premium of €0.55.

10. REVALUATION RESERVE

	2018 €	2017 €
Year ended 31 December		
At beginning of year	**5,814,177**	4,826,197
Surplus arising on revaluation of land and buildings (Note 4)	**-**	1,088,914
Movements in deferred tax (Note 5)	**-**	(100,934)
At end of year	**5,814,177**	5,814,177

The revaluation reserve is a non-distributable reserve.

11. BORROWINGS

	2018 €	2017 €
Current		
Bank loan	**-**	350,274
Non-current		
Bank loan	**-**	2,685,952
Total borrowings	**-**	3,036,226

In 2017 the bank loan was secured by a general hypothec over the company's assets and special hypothec over Main Street Complex, and by guarantees and a letter of undertaking given by the parent. Security was released upon repayment in full of these loans.

The company's banking facilities as at 31 December 2018 amounted to €300,000 (2017: €3,299,464). The interest rate exposure of borrowings was as follows:

	2018 €	2017 €
Total borrowings:		
At floating rates	**-**	3,036,226

The effective interest rates on the closing balance at the reporting date was as follows:

	2018	2017
Bank loan	**-**	3.4%

Maturity of non-current bank borrowings:

	2018 €	2017 €
Between 1 and 2 years	**-**	350,984
Between 2 and 5 years	**-**	1,052,952
Over 5 years	**-**	1,282,016
	-	2,685,952

12. TRADE AND OTHER PAYABLES

	2018 €	2017 €
Current		
Trade payables	**46,359**	18,964
Amounts owed to related parties	**14,727**	15,527
Accruals	**221,413**	228,588
Indirect taxes and social security	**19,557**	18,103
	302,056	281,182
Non-current		
Amounts owed to fellow subsidiary	**-**	780,728
	-	780,728

Amounts owed to related parties and fellow subsidiary were unsecured, interest free and repayable on demand.

13. REVENUE

All the company's revenue relates to concession income charged to tenants for the management and short term lets of Main Street Complex in Paola, Malta.

The company primarily operates in one segment that comprises granting of concessions of outlets or spaces in the Complex against an agreed annual rate, and in some cases, a fee payable based on a percentage of the concessionaire's turnover, which activities are substantially subject to the risks and returns. Accordingly, the presentation of segment information required by IFRS 8, Operating segments, within these financial statements are not applicable.

14. EXPENSES BY NATURE

	2018 €	2017 €
Depreciation on property, plant and equipment (Note 4)	**99,331**	88,914
Administrative and management fees	**30,000**	30,000
Other expenses	**128,205**	89,351
Total operating expenses, depreciation, and administrative expenses	**257,536**	208,265

Auditor's fees:

Included in other expenses are fees charged by the auditor to the company for services rendered during the financial periods ended 31 December 2018 and 2017. These relate to the following:

	2018 €	2017 €
Annual statutory audit	**4,500**	2,355
Other assurance services	**2,000**	-
Tax advisory and compliance services	**1,427**	1,427
	7,927	3,782

15. DIRECTORS' FEES

	2018	2017
Directors' fees	**26,000**	-

16. FINANCE COSTS

	2018	2017
Bank charges and interest	**45,687**	111,697

17. TAX EXPENSE

	2018 €	2017 €
Current tax expense	**127,201**	85,601
Tax expense	**127,201**	85,601

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

	2018 €	2017 €
Profit before tax	**439,371**	415,944
Tax at 35%	**153,780**	145,580
Unrecognised deferred tax	**23,840**	(6,422)
Income taxed at different rates	**(113,126)**	(113,153)
Expenses not allowed for tax purposes	**62,707**	97,472
Over provision in previous year	**-**	(37,876)
Tax expense	**127,201**	85,601

18. EARNINGS PER SHARE

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share is equal to the basic earnings per share.

	2018 €	2017 €
Net profit attributable to shareholders	**€312,170**	€330,343
Weighted average number of ordinary shares in issue	**17,892,930**	13,954,870
Earnings per share (€ cents)	**0.02**	0.02

19. DIVIDENDS

At the forthcoming Annual General Meeting a final net dividend in respect of 2018 of €0.00981 per share, amounting to a total net dividend of €190,163 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2019. A net interim dividend in respect of 2018 amounting to €121,768 was paid during the year.

20. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	2018 €	2017 €
Operating profit	**484,805**	526,027
Adjustment for:		
Depreciation of property, plant and equipment (Note 4)	**99,331**	88,914
Changes in working capital:		
Trade and other receivables	**118,538**	(65,898)
Trade and other payables	**21,674**	(17,975)
Cash generated from operations	**724,348**	531,068

21. COMMITMENTS

Operating lease commitments - where the company is the lessor

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

	2018 €	2017 €
Not later than 1 year	**601,359**	513,277
Later than 1 year and not later than 5 years	**1,566,677**	1,750,513
Later than 5 years	**489,120**	1,152,205
	2,657,156	3,415,995

22. 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 following principal operating transcations, which were carried out with related parties, have a material effect on the operating results and financial position of the company:

	2018 €	2017 €
Income from services		
Concession income	**72,265**	167,438
Common area maintenance and water and electricity charges recovered	**16,595**	23,310
Expenditure for services		
Management and administration fees	**30,000**	30,000
Other expenses	**37,991**	15,899

22. RELATED PARTY TRANSACTIONS - CONTINUED

In the opinion of the Directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the company. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

Except for Directors' fees (Note 15) the company has not entered into material transactions with key management personnel which would warrant disclosure thereof for the purpose of understanding the company's financial results or its financial position. Also, the company has not entered into material transactions with entities in which its key management personnel directly or indirectly have an interest or over which they have direct or indirect influence. Any such transactions would constitute normal operating transactions under normal market and commercial terms relating to provision of operational services by the company, and would not comprise financing transactions.

Year-end balances with related parties, arising principally from transactions referred to previously, are disclosed in notes 6 and 12 to these financial statements.

23. STATUTORY INFORMATION

Main Street Complex p.l.c. is a public liability company and is incorporated in Malta.

Notes

Notes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