MAIN STREET COMPLEX P.L.C.

Main Street Complex
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COMPANY ANNOUNCEMENT

Main Street Complex p.l.c.

Approval of interim financial statements

Date of Announcement	19 August 2021
Reference No:	31/2021
Listing Rule	5.16.20

QUOTE

During the meeting of the Board of Directors of Main Street Complex p.l.c. (the "Company) held on the 18 August, 2021, the Board of Directors of the Company approved the Company's interim financial statements for the six-month period ended 30 June, 2021.

The interim financial statements are attached herewith and are also available on the Company's website http://mainstreetcomplex.com/investor-relations/#financial-statements.

UNQUOTE

By order of the Board.

Dr Malcolm Falzon
Company Secretary

MAIN STREET COMPLEX P.L.C.

Condensed interim financial statements
for the period 1 January 2021 to 30 June 2021

Company Registration Number: C 34767

Directors' report pursuant to listing rule 5.75.2

*This half-yearly directors' report is being published in terms of Chapter 5 of the Listing Rules published by the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report, of which the present directors' report forms part, comprises the unaudited condensed interim financial statements of Main Street Complex p.l.c. (the "**Company**") for the six months ended 30 June 2021 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2020.*

Principal activities

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

Financial results

Both the six months under review and the comparable period in 2020 have been impacted by the repercussions brought about by the COVID-19 pandemic, with local restrictions resulting in the closure of Main Street Complex for a first period of lock-down between 23 March 2020 and 4 May 2020, and a second period of lock-down between 11 March 2021 and 25 April 2021. Furthermore, in both years, restrictions to tenants operating in the gaming, leisure and F&B sectors effectively extended beyond the aforementioned periods.

During the first six months of 2021, the Company generated revenues of €224,275 (2020: €215,477), a 4% increase over the same period in previous year. Profit before taxation amounted to €88,380 (2020: €98,379), a decrease of 10%, due to the waiver of certain administrative expenses in 2020 that was not repeated in 2021 and the fact that January and February 2020 were pre-COVID months during which the Company was operating without disruption. The Company registered an EBITDA of €142,417 (2020: €150,205) and the balance sheet remained healthy with a positive working capital and the absence of external debt.

During the period under review, the Company continued to reach out to its concessionaires with temporary support measures, through extended discounts, and the waiver of fees during the March-April 2021 lock down period. Footfall in the initial weeks following the April 2021 re-opening started off at very strong levels and have since tapered off to acceptable levels that exceed the June/July 2020 period by 12%. It remains to be seen whether, with the gradual return to normality, these levels can be further increased to reach and exceed pre-COVID levels.

These interim financial statements are not impacted by the notice of termination served by the Debenhams franchisee, announced on 2 June 2021, in view of the termination provisions contained in the applicable concession agreement. The board expects an agreement for the take up of the area vacated by Debenhams to be concluded with a suitable tenant over the coming months.

The board remains confident that the Company's strong financial position and the absence of debt will enable it to continue to manage the negative repercussions and occupancy disruptions brought about by the pandemic.

Directors’ report pursuant to listing rule 5.75.2 - continued

Dividends

The board of directors did not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: €161,000).

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

Approved by the board of directors on 18 August 2021 and signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Statement of financial position

	As at 30 June 2021 € Unaudited	As at 31 December 2020 € Audited
ASSETS		
Non-current assets		
Property, plant and equipment	**12,790,574**	12,793,613
Current assets		
Trade and other receivables	**134,404**	213,082
Cash and cash equivalents	**264,942**	255,228
Total current assets	**399,346**	468,310
Total assets	**13,189,920**	13,261,923
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1,938,462**	1,938,462
Share premium	**2,876,923**	2,876,923
Revaluation reserve	**5,828,609**	5,828,609
Retained earnings	**1,079,243**	1,025,473
Total equity	**11,723,237**	11,669,467
Non-current liabilities		
Deferred tax liability	**1,269,695**	1,269,695
Total non-current liabilities	**1,269,695**	1,269,695
Current liabilities		
Trade and other payables	**148,101**	236,108
Current tax liabilities	**48,887**	86,653
Total current liabilities	**196,988**	322,761
Total liabilities	**1,466,683**	1,592,456
Total equity and liabilities	**13,189,920**	13,261,923

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

The condensed interim financial statements on pages 3 to 11 were authorised for issue by the board on 18 August 2021 and were signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Income statement

	Six-months ended 30 June 2021 Unaudited €	Six-months ended 30 June 2020 Unaudited €
Revenue	**224,275**	215,477
Operating expenses	**(26,707)**	(23,540)
Depreciation	**(53,590)**	(51,008)
Administrative expenses	**(55,151)**	(41,732)
Operating profit	**88,827**	99,197
Finance costs	**(447)**	(818)
Profit before tax	**88,380**	98,379
Tax expense	**(34,610)**	(33,532)
Profit for the period - total comprehensive income	**53,770**	64,847
Earnings per share	**0.003**	0.003

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

Statement of changes in equity

Unaudited	Share capital €	Share premium €	Revaluation reserve €	Retained earnings €	Total equity €
Balance at 1 January 2020	1,938,462	2,876,923	5,814,177	1,040,905	11,670,467
Comprehensive income					
Profit for the period	-	-	-	64,847	64,847
Balance at 30 June 2020	**1,938,462**	**2,876,923**	**5,814,177**	**1,105,752**	**11,735,314**
Balance at 1 January 2021	1,938,462	2,876,923	5,828,609	1,025,473	11,669,467
Comprehensive income					
Profit for the period	-	-	-	53,770	53,770
Balance at 30 June 2021	**1,938,462**	**2,876,923**	**5,828,609**	**1,079,243**	**11,723,237**

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

Statement of cash flows

	Six-months ended 30 June 2021 Unaudited €	Six-months ended 30 June 2020 Unaudited €
Cash flows from operating activities		
Cash generated from operations	**147,776**	130,687
Interest paid	**(447)**	(818)
Tax paid	**(72,376)**	(96,656)
Net cash generated from operating activities	**74,953**	33,213
Cash flows from financing activities		
Movement in related party balances	**(14,688)**	(7,113)
Net cash used in financing activities	**(14,688)**	(7,113)
Cash flows from investing activities		
Additions to property, plant and equipment	**(50,551)**	-
Net cash used in investing activities	**(50,551)**	-
Net movement in cash and cash equivalents	**9,714**	26,100
Cash and cash equivalents at beginning of period	**255,228**	258,017
Cash and cash equivalents at end of period	**264,942**	284,117

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

Notes to the interim financial statements

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the six months ended 30 June 2021.The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

The condensed interim financial statements as at, and for the six-month period ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, "Interim Financial Reporting"). The condensed interim financial statements information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRSs as adopted by the EU. The financial statements of the Company as at, and for the year ended 31 December 2020 are available upon request from the Company's registered office at Main Street Complex, Antoine De Paule Square, Paola, PLA1262, Malta. They are also available for viewing on its website at www.mainstreetcomplex.com.

2. Accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those of the annual financial statements of Main Street Complex p.l.c. for the year ended 31 December 2020, as described in those financial statements.

New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period. There is no impact on the adoption of these revisions on the Company's accounting policies and on the Company's financial results.

Impact of standards issued but not yet applied by the Company

Certain 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 2021. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

3. COVID-19

Following the outbreak of the COVID-19 pandemic, the Company implemented a number of measures aimed at ensuring continuity of service and at mitigating the potential negative impact on the Company's business. Despite a healthy operational and financial position, the board continues to note the ongoing uncertainty surrounding the extent and duration of the repercussions of the pandemic on the local and global economy, which continue to have a negative impact on the Company's results. Notwithstanding, in the present scenario, the board remains satisfied that the Company's strong financial position and absence of debt will enable it to continue to absorb the negative repercussions brought about by the COVID-19 pandemic in the foreseeable future, and remains optimistic about the future outlook for Main Street Complex.

In this regard and as detailed further in Note 4, the directors are of the opinion that there are no significant impacts on the carrying value of the Company's assets. Furthermore, based on the financial results and financial position as at 30 June 2021, the directors believe that there is no material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The directors continue to adopt the going concern assumption in the preparation of the financial statements.

4. Property, plant and equipment

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
At 1 January 2020				
Cost or valuation	12,935,673	623,265	358,368	13,917,306
Accumulated depreciation	(159,147)	(512,884)	(350,611)	(1,022,642)
Net book amount	12,776,526	110,381	7,757	12,894,664
Year ended 31 December 2020				
Opening net book value	12,776,526	110,381	7,757	12,894,664
Additions	-	-	1,074	1,074
Depreciation charge	(79,574)	(21,227)	(1,324)	(102,125)
Closing net book amount	12,696,952	89,154	7,507	12,793,613
At 31 December 2020				
Cost or valuation	12,935,673	623,265	359,442	13,918,380
Accumulated depreciation	(238,721)	(534,111)	(351,935)	(1,124,767)
Net book amount	12,696,952	89,154	7,507	12,793,613

4. Property, plant and equipment - continued

	Land and buildings including improvements to premises	Plant, machinery and equipment	Furniture, fixtures and fittings	Total
	€	€	€	€
Period ended 30 June 2021				
Opening net book value	12,696,952	89,154	7,507	12,793,613
Additions	-	44,374	6,177	50,551
Depreciation charge	(39,787)	(12,832)	(971)	(53,590)
Closing net book amount	**12,657,165**	**120,696**	**12,713**	**12,790,574**
At 30 June 2021				
Cost or valuation	12,935,673	667,639	365,619	13,968,931
Accumulated depreciation	(278,508)	(546,943)	(352,906)	(1,178,357)
Net book amount	**12,657,165**	**120,696**	**12,713**	**12,790,574**

Fair value of land and buildings
The Company's land and buildings were last revalued on 31 December 2017. The book values of the land and buildings were adjusted to the revaluations and the resultant surplus net of deferred income taxes was credited to the revaluation reserve in the shareholders' equity. The directors have reviewed the carrying amount of the Company's land and buildings as at 30 June 2021, and no adjustments to the carrying amount was deemed necessary as at that date.

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

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

The Company's recurring fair value measurements as at 30 June 2021 are categorised as level 3 as they are based on significant unobservable inputs. The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the six-month period ended 30 June 2021 there were no transfers between the fair value levels. The Company's land and buildings represent the Main Street Complex and their current use equates to the highest and best use. A reconciliation between the opening balance and the closing balance of the property's carrying amount is presented in the table above. The movement reflects the depreciation charge for the six-month period ended 30 June 2021.

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 hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the board of directors and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held between these parties.

4. Property, plant and equipment - continued

At the end of every reporting period during which an external valuation is not carried out, the directors also 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 a significant change.

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

- Earnings before interest, tax, depreciation and amortisation (EBITDA): which is based on the Company's existing rental income streams less operating costs (before depreciation) which include marketing and maintenance expenses. The EBITDA for the six-month period ended 30 June 2021 is estimated at €142,417 (30 June 2020: €150,205).

- A discount rate of 6% to 7% was applied in estimating the net present value of the projected operating future cash flows of the property. This discount rate is principally based on the weighted average of the cost of debt, current market risk free rates, an equity market risk premium and other risk premiums attached to an investment in the property being valued including any element of projection risk inherent in the projected future cash flows.

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

5. Commitments

Operating lease commitments - where the Company is the lessor

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

	30 June 2021 € Unaudited	31 December 2020 € Audited
Not later than 1 year	**586,679**	632,203
Later than 1 year and not later than 5 years	**880,074**	1,560,166
Later than 5 years	**-**	15,897
	1,466,753	2,208,266

6. Dividends

The board of directors did not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: €161,000).

7. Related party transactions

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

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

	Six-months ended 30 June 2021 € Unaudited	Six-months ended 30 June 2020 € Unaudited
Management fees	**20,000**	15,000

Statement pursuant to Listing Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 June 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting');

- the interim directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Joseph A. Gasan
Chairman

18 August 2021