MAIN STREET COMPLEX P.L.C.

Condensed interim financial statements
for the period 1 January 2023 to 30 June 2023

Company Registration Number: C 34767

	Pages
Directors' report pursuant to Capital Market rule 5.75.2	1 - 2
Unaudited condensed interim financial statements:	
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7 - 10
Statement pursuant to Capital Market rule 5.75.3	11

Directors' report pursuant to Capital Market rule 5.75.2

*This half-yearly directors' report is being published in terms of Chapter 5 of the Capital Market Rules published by the 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 2023 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 2022.*

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

Revenue amounting to Eur391,062 during the current financial period represents an increase of 7% over the revenue of Eur364,696 registered in the 6-month period ended 30 June 2022. During both periods the Company was fully operational, and at the date of this report, occupancy at Main Street Complex stands at 100%.

Operating expenditure during the period under review was impacted by inflation and increased to Eur43,975 from Eur36,044 over the corresponding period last year. Modest savings amounting to Eur6,570 on administrative and depreciation costs partially offset the increase in operating costs. Despite the overall increase in expenditure, the Company registered a net profit before tax of Eur174,673 and an EBITDA of Eur285,524 compared to Eur153,432 and Eur265,021 respectively in the previous year.

Having no external borrowing apart from normal trade credit and a regular flow of cash profits, the Company's financial position remains healthy with total equity standing at Eur10,875,388 (December 22 Eur10,912,698). This has enabled the Company to resume payment of dividends, following the disruptive period caused by the pandemic.

Outlook for the coming months remains cautiously optimistic despite inflation continuing to impact the business and the advent of new shopping malls which are expected to open in the latter part of 2023, which may lead to changes in the market and market trends. The Company is planning a refurbishment of the mall during 2024/5 which will coincide with the expiry of various concession agreements of retailers operating within the mall.

Directors' report pursuant to Capital Market rule 5.75.2 - continued

Dividends

The Board of Directors recommended a net dividend amounting to € 211,983 in respect of the year ended 31 December 2022 (2021: €239,275), which was paid on the 16 June 2023.

Having given due consideration to the performance of the Company, the Board of Directors have agreed on the payment of an interim net dividend of €139,600 in respect of the current financial year 2023.

Approved by the Board of Directors on 23 August 2023 and signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Statement of financial position

	As at 30 June	As at 31 December
	2023	2022
	€	€
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	**11,522,161**	11,571,998
Current assets		
Trade and other receivables	**127,596**	134,510
Cash and cash equivalents	**556,921**	636,157
Total current assets	**684,517**	770,667
Total assets	**12,206,678**	12,342,665
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1,938,462**	1,938,462
Share premium	**2,876,923**	2,876,923
Revaluation reserve	**4,861,000**	4,861,000
Retained earnings	**1,199,003**	1,236,313
Total equity	**10,875,388**	10,912,698
Non-current liabilities		
Deferred tax liability	**1,144,500**	1,144,500
Total non-current liabilities	**1,144,500**	1,144,500
Current liabilities		
Trade and other payables	**119,794**	161,601
Current tax liabilities	**66,996**	123,866
Total current liabilities	**186,790**	285,467
Total liabilities	**1,331,290**	1,429,967
Total equity and liabilities	**12,206,678**	12,342,665

The notes on pages 7 to 10 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 10 were authorised for issue by the board on 23 August 2023 and were signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Statement of comprehensive income

	Six-months ended 30 June 2023 Unaudited €	Six-months ended 30 June 2022 Unaudited €
Revenue	**391,062**	364,696
Operating expenses	**(43,975)**	(36,044)
Depreciation	**(50,613)**	(55,115)
Administrative expenses	**(61,563)**	(63,631)
Operating profit	**234,911**	209,906
Finance costs	**(511)**	(484)
Profit before tax	**234,400**	209,422
Tax expense	**(59,727)**	(55,990)
Profit for the period - total comprehensive income	**174,673**	153,432
Earnings per share	**0.009**	0.008

The notes on pages 7 to 10 are an integral part of these condensed interim financial statements.

Statement of changes in equity

Unaudited	**Share capital** €	**Share premium** €	**Revaluation reserve** €	**Retained earnings** €	**Total equity** €
Balance at 1 January 2022	1,938,462	2,876,923	5,376,566	1,267,090	11,459,041
Comprehensive income					
Profit for the period	-	-	-	153,432	153,432
Transactions with owners					
Dividends paid	-	-	-	(239,275)	(239,275)
Balance at 30 June 2022	**1,938,462**	**2,876,923**	**5,376,566**	**1,181,247**	**11,373,198**
Balance at 1 January 2023	1,938,462	2,876,923	4,861,000	1,236,313	10,912,698
Comprehensive income					
Profit for the period	-	-	-	174,673	174,673
Transactions with owners					
Dividends paid	-	-	-	(211,983)	(211,983)
Balance at 30 June 2023	**1,938,462**	**2,876,923**	**4,861,000**	**1,199,003**	**10,875,388**

The notes on pages 7 to 10 are an integral part of these condensed interim financial statements.

Statement of cash flows

	Six-months ended 30 June 2023 Unaudited €	Six-months ended 30 June 2022 Unaudited €
Cash flows from operating activities		
Cash generated from operations	**266,439**	276,666
Bank charges paid	**(511)**	(484)
Tax paid	**(116,597)**	(94,948)
Net cash generated from operating activities	**149,331**	181,234
Cash flows from financing activities		
Dividends paid	**(211,983)**	(239,275)
Movement in related party balances	**(15,808)**	(9,485)
Net cash used in financing activities	**(227,791)**	(248,760)
Cash flows from investing activities		
Additions to property, plant and equipment	**(776)**	(16,973)
Net cash used in investing activities	**(776)**	(16,973)
Net movement in cash and cash equivalents	**(79,236)**	(84,499)
Cash and cash equivalents at beginning of period	**636,157**	579,408
Cash and cash equivalents at end of period	**556,921**	494,909

The notes on pages 7 to 10 are an integral part of these condensed interim financial statements.

Notes to the interim financial statements

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the six months ended 30 June 2023.The half-yearly results are being published in terms of Chapter 5 of the Capital Market Rules of the Malta Financial Services Authority.

The condensed interim financial statements as at, and for the six-month period ended 30 June 2023 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 2022, 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 2022 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 2022, 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 2023. 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. Property, plant and equipment

	Land and buildings including improvements to premises €	Plant, machinery and equipment €	Furniture, fixtures and fittings €	Total €
At 1 January 2022				
Cost or valuation	12,435,673	679,746	367,026	13,482,445
Accumulated depreciation	(318,295)	(560,986)	(354,018)	(1,233,299)
Net book amount	12,117,378	118,760	13,008	12,249,146
Year ended 31 December 2022				
Opening net book value	12,117,378	118,760	13,008	12,249,146
Additions	-	10,910	15,966	26,876
Reversal of part of the revaluation surplus, previously recognised	(592,804)	-	-	(592,804)
Depreciation charge	(79,574)	(28,094)	(3,552)	(111,220)
Closing net book amount	11,445,000	101,576	25,422	11,571,998
At 31 December 2022				
Cost or valuation	11,842,869	690,656	382,992	12,916,517
Accumulated depreciation	(397,869)	(589,080)	(357,570)	(1,344,519)
Net book amount	11,445,000	101,576	25,422	11,571,998
Period ended 30 June 2023				
Opening net book value	11,445,000	101,576	25,422	11,571,998
Additions	-	776	-	776
Depreciation charge	(39,787)	(8,986)	(1,840)	(50,613)
Closing net book amount	**11,405,213**	**93,366**	**23,582**	**11,522,161**
At 30 June 2023				
Cost or valuation	11,842,869	691,432	382,992	12,917,293
Accumulated depreciation	(437,656)	(598,066)	(359,410)	(1,395,132)
Net book amount	**11,405,213**	**93,366**	**23,582**	**11,522,161**

The Company operates Main Street Complex, a fully serviced shopping complex, leasing out of retail space. The extent of the services provided is deemed to be significant to the arrangement with the concessionaires as a whole. The shopping complex, which is made up of all the classes of assets included in property, plant and equipment above, is leased out under operating leases and accordingly is treated as property, plant and equipment under the requirements of IAS 16 rather than investment property under IAS 40.

3. Property, plant and equipment - continued

Fair value of land and buildings

The land and buildings within property, plant and equipment were revalued during the year ended 31 December 2022 by an independent property valuer having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the valuation and on the basis of this external valuation a reversal of part of the revaluation surplus previously recognised, amounting to €592,804, resulted. This reversal was debited to the revaluation reserve, in shareholders' equity, net of applicable deferred tax. The Directors are of the opinion that the principal assumptions used reflect a prudent approach and that the carrying amount of the Company's property as at the end of the current financial year, is an appropriate estimate of its fair value.

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 its 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 hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued.

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 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% (2022: 2.5%): represents the estimated average growth of the Company's concession income.

3. Property, plant and equipment - continued

- A discount rate of 8.5% (2022: 8.5%) was applied in estimating the net present value of the projected future free cash flows, and a cap rate of 7.0% (2022: 7.0%).

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. 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 2023 € Unaudited	31 December 2022 € Audited
Not later than 1 year	**573,282**	567,335
Later than 1 year and not later than 5 years	**755,651**	955,296
	1,328,933	1,522,631

5. Dividends

On 12 June 2023, the Board of Directors approved the payment of a net dividend in respect of the year ended 31 December 2022 amounting to €211,983 (2022: 239,275).

6. 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 2023 € Unaudited	Six-months ended 30 June 2022 € Unaudited
Management fees	**21,540**	21,222

Statement pursuant to Capital Market 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 2023, 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 Capital Market Rules 5.81 to 5.84.

Joseph A. Gasan
Chairman

23 August 2023