MAIN STREET COMPLEX P.L.C.

Condensed interim financial statements
for the period 1 January 2024 to 30 June 2024

Company Registration Number: C 34767

Directors' report pursuant to Capital Markets rule 5.75.2

*This half-yearly directors' report is being published in terms of Chapter 5 of the Capital Markets 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 2024 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 2023.*

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

During the six months to 30 June 2024, Main Street Complex kicked off the refurbishment and reconfiguration works programme for Level -1. Works, which commenced in April and were completed in July this year, required the temporary closure of one tenant, who extended the previous shop space and has now opened a newly configured outlet. The remaining floor area was vacant since the previous tenant opted not to renew the tenancy agreement after it expired in March 2024.

The company's revenues decreased from €391,062 in first six months of 2023 to €363,265 in the corresponding period in 2024. Revenue for 2024 includes income of €3,166 from treasury bills in which the Company invested a portion of its cash balances. The 8% decrease in operating income net of investment income is the result of certain tenants not renewing their agreement, as well as revenue foregone from the aforementioned tenant affected during the period of works. The average occupancy for the first six months up to 30 June 2024 stood at 89.5%, compared to 98.5% occupancy during 2023. Expenditure related to continued upkeep and cleaning, coupled with the cost-of-living increases on services received, resulted in operating costs increasing by €9,544 over the previous year, up to €53,519 (€43,975 in 2023). Additional marketing spend contributed to 29% of the total increase in operating expenses. The total administrative expenses and depreciation for the period remained in line with that reported for the six months ended 30 June 2023. The company's net profit before tax for the period stood at €197,064 as against €234,400 registered in the previous year.

EBITDA amounting to €249,298 (€285,524 in 2023) generated through the first six months of 2024 covered the dividend of €214,000 paid in May 2024 in respect of 2023 end of year results, as well as the capital expenditure amounting to €25,360 paid so far for the refurbishment works. The accumulated cash balance of €750,562 at December 2023 was partially used to meet all trade and fiscal dues as they fell due, leaving a positive cash balance of €511,641 as at 30 June 2024. The company's financial position remains strong with no external borrowing other than normal trade credit and a total equity amounting to €10,850,469 (€10,923,378 as at 31 December 2023).

Directors' report pursuant to Capital Markets rule 5.75.2 – continued

Financial results - continued

While the board and management remain confident that the refurbishment of the complex together with the various projects and developments in the Paola area should all positively contribute towards more visitors in the locality, they remain cautiously optimistic about the ability to attract new tenants in replacement of existing ones and the terms and conditions on which new leases will be signed. Meanwhile management is in discussions with a number of potential tenants interested in taking up space at Main Street Complex.

The statement of comprehensive income is set out on page 4.

Dividends

The Board of Directors recommended a net dividend amounting to €214,000 in respect of the year ended 31 December 2023 (2022: €211,983), which was paid on 5 June 2024.

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 €104,677 in respect of the current financial year 2024.

Approved by the Board of Directors on 21 August 2024 and signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Statement of financial position

	As at 30 June 2024 € Unaudited	As at 31 December 2023 € Audited
ASSETS		
Non-current assets		
Property, plant and equipment	**11,445,153**	11,471,545
Current assets		
Trade and other receivables	**189,773**	154,353
Cash and cash equivalents	**511,641**	750,562
Total current assets	**701,414**	904,915
Total assets	**12,146,567**	12,376,460
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1,938,462**	1,938,462
Share premium	**2,876,923**	2,876,923
Revaluation reserve	**4,868,958**	4,868,958
Retained earnings	**1,166,126**	1,239,035
Total equity	**10,850,469**	10,923,378
Non-current liabilities		
Deferred tax liability	**1,136,542**	1,136,542
Total non-current liabilities	**1,136,542**	1,136,542
Current liabilities		
Trade and other payables	**91,992**	189,116
Current tax liabilities	**67,564**	127,424
Total current liabilities	**159,556**	316,540
Total liabilities	**1,296,098**	1,453,082
Total equity and liabilities	**12,146,567**	12,376,460

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 21 August 2024 and were signed on its behalf by:

Joseph A. Gasan
Chairman

Etienne Borg Cardona
Director

Statement of comprehensive income

	Six-months ended 30 June 2024 Unaudited €	Six-months ended 30 June 2023 Unaudited €
Revenue	**363,265**	391,062
Operating expenses	**(53,519)**	(43,975)
Depreciation	**(51,752)**	(50,613)
Administrative expenses	**(60,448)**	(61,563)
Operating profit	**197,546**	234,911
Finance costs	**(482)**	(511)
Profit before tax	**197,064**	234,400
Tax expense	**(55,972)**	(59,727)
Profit for the period - total comprehensive income	**141,092**	174,673
Earnings per share	**0.007**	0.009

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 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**
Balance at 1 January 2024	1,938,462	2,876,923	4,868,958	1,239,035	10,923,378
Comprehensive income					
Profit for the period	-	-	-	141,092	141,092
Transactions with owners					
Dividends paid	-	-	-	(214,001)	(214,001)
Balance at 30 June 2024	**1,938,462**	**2,876,923**	**4,868,958**	**1,166,126**	**10,850,469**

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 2024 Unaudited €	Six-months ended 30 June 2023 Unaudited €
Cash flows from operating activities		
Cash generated from operations	**116,754**	266,439
Bank charges paid	**(482)**	(511)
Tax paid	**(120,702)**	(116,597)
Net cash (used in)/generated from operating activities	**(4,430)**	149,331
Cash flows from financing activities		
Dividends paid	**(214,001)**	(211,983)
Movement in related party balances	**4,870**	(15,808)
Net cash used in financing activities	**(209,131)**	(227,791)
Cash flows from investing activities		
Additions to property, plant and equipment	**(25,360)**	(776)
Net cash used in investing activities	**(25,360)**	(776)
Net movement in cash and cash equivalents	**(238,921)**	(79,236)
Cash and cash equivalents at beginning of period	**750,562**	636,157
Cash and cash equivalents at end of period	**511,641**	556,921

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 2024.The half-yearly results are being published in terms of Chapter 5 of the Capital Markets Rules of the Malta Financial Services Authority.

The condensed interim financial statements as at, and for the six-month period ended 30 June 2024 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 2023, 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 2023 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 2023, 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 2024. 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 2023				
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
Year ended 31 December 2023				
Opening net book value	11,445,000	101,576	25,422	11,571,998
Additions	-	776	-	776
Depreciation charge	(79,574)	(18,102)	(3,553)	(101,229)
Closing net book amount	11,365,426	84,250	21,869	11,471,545
At 31 December 2023				
Cost or valuation	11,842,869	691,432	382,992	12,917,293
Accumulated depreciation	(477,443)	(607,182)	(361,123)	(1,445,748)
Net book amount	11,365,426	84,250	21,869	11,471,545
Period ended 30 June 2024				
Opening net book value	11,365,426	84,250	21,869	11,471,545
Additions	25,360	-	-	25,360
Depreciation charge	(41,735)	(8,462)	(1,555)	(51,752)
Closing net book amount	**11,349,051**	**75,788**	**20,314**	**11,445,153**
At 30 June 2024				
Cost or valuation	11,868,229	691,432	382,992	12,942,653
Accumulated depreciation	(519,178)	(615,644)	(362,678)	(1,497,500)
Net book amount	**11,349,051**	**75,788**	**20,315**	**11,445,153**

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. Management have reviewed the carrying amounts of the properties as at 31 December 2023, no adjustments to the carrying amounts were deemed necessary as at that date taking cognisance of the developments that occurred during the current financial period. 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 period, 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 period 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% (2023: 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% (2023: 8.5%) was applied in estimating the net present value of the projected future free cash flows, and a cap rate of 7.0% (2023: 7.0%).

An increase in the EBITDA and the growth rate and/or a decrease in the discount rate, would result in an increase to the fair value of the property. Management carried out a sensitivity analysis and determined that, as an example, a shift of +/-0.5% in the discount rate, which is deemed to be the main key input, would result in a reduction of €252,000 (or 2.2%) or an increase of €291,000 (or 2.5%) in fair value respectively.

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 2024 € Unaudited	31 December 2023 € Audited
Not later than 1 year	**450,777**	546,541
Later than 1 year and not later than 5 years	**562,764**	598,248
	1,013,541	1,144,789

5. Dividends

On 28 May 2024, the Board of Directors approved the payment of a net dividend in respect of the year ended 31 December 2023 amounting to €214,000 (2023: €211,983).

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 2024 € Unaudited	Six-months ended 30 June 2023 € Unaudited
Management fees	**21,864**	21,540