

MAIN STREET COMPLEX P.L.C.

Condensed interim financial statements
for the period 1 January 2022 to 30 June 2022

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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 2022 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 2021.

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

Revenues of €364,696 earned during the financial period under review represent an increase of 62% over the revenue of €224,275 achieved in the corresponding 6-month period of 2021, when the effects of the COVID-19 pandemic were still significant. These revenues also exceed the corresponding half-year revenues for 2018 by 3% but fall short of the revenues for the same period in 2019 by 8%.

As a consequence, the Company's Profit before tax rose to €209,422 from the €88,380 registered in June 2021. In line with expectations, the current period profits before tax exceeded the corresponding 2018 half-year profits by just over 6% and were short of the 2019 half-year profits by 18%.

The Company's financial position remains healthy with shareholders' funds of €11,373,198, accounting for 88% of the total assets amounting €12,830,215.

Despite the continued existence of COVID-19, business activity and life in general has continued to return to normal. At the present time, it is considered unlikely that local authorities will resort to further lock-downs in future, and thus the outlook is that the Company will continue to operate without major disruptions. In this regard, the Board of Directors looks forward to a return to pre-COVID-19 levels of activity in the foreseeable future.

In this regard, the directors are of the opinion that there is no significant impact on the carrying value of the Company's assets. Furthermore, based on the financial results and financial position as at 30 June 2022, the directors continue to adopt the going concern assumption in the preparation of the financial statements.

Directors' report pursuant to listing rule 5.75.2 - continued

Dividends

The Board of Directors recommended a dividend amounting to €239,275 in respect of the year ended 31 December 2021 (2021: €nil), which was paid on the 27 May 2022.

Having given due consideration to the improved performance of the Company and the easing of the negative repercussions brought about by to the COVID-19 pandemic, the Board of Directors have agreed on the payment of an interim net dividend of €130,000 in respect of the current financial year 2022.

Approved by the Board of Directors on 22 August 2022 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
	2022 € Unaudited	2021 € Audited
ASSETS		
Non-current assets		
Property, plant and equipment	12,211,004	12,249,146
Current assets		
Trade and other receivables	124,302	214,191
Cash and cash equivalents	494,909	579,408
Total current assets	619,211	793,599
Total assets	12,830,215	13,042,745
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	1,938,462	1,938,462
Share premium	2,876,923	2,876,923
Revaluation reserve	5,376,566	5,376,566
Retained earnings	1,181,247	1,267,090
Total equity	11,373,198	11,459,041
Non-current liabilities		
Deferred tax liability	1,221,738	1,221,738
Total non-current liabilities	1,221,738	1,221,738
Current liabilities		
Trade and other payables	169,891	257,620
Current tax liabilities	65,388	104,346
Total current liabilities	235,279	361,966
Total liabilities	1,457,017	1,583,704
Total equity and liabilities	12,830,215	13,042,745

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 22 August 2022 and were signed on its behalf by:


Joseph A. Gasan
Chairman


Etienne Borg Cardona
Director

Statement of comprehensive income

	Six-months ended 30 June 2022 Unaudited €	Six-months ended 30 June 2021 Unaudited €
Revenue	364,696	224,275
Operating expenses	(36,044)	(26,707)
Depreciation	(55,115)	(53,590)
Administrative expenses	(63,631)	(55,151)
Operating profit	209,906	88,827
Finance costs	(484)	(447)
Profit before tax	209,422	88,380
Tax expense	(55,990)	(34,610)
Profit for the period - total comprehensive income	153,432	53,770
Earnings per share	0.008	0.003

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 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
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

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 2022 Unaudited €	Six-months ended 30 June 2021 Unaudited €
Cash flows from operating activities		
Cash generated from operations	276,666	147,776
Bank charges paid	(484)	(447)
Tax paid	(94,948)	(72,376)
Net cash generated from operating activities	181,234	74,953
Cash flows from financing activities		
Dividends paid	(239,275)	-
Movement in related party balances	(9,485)	(14,688)
Net cash used in financing activities	(248,760)	(14,688)
Cash flows from investing activities		
Additions to property, plant and equipment	(16,973)	(50,551)
Net cash used in investing activities	(16,973)	(50,551)
Net movement in cash and cash equivalents	(84,499)	9,714
Cash and cash equivalents at beginning of period	579,408	255,228
Cash and cash equivalents at end of period	494,909	264,942

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 2022. 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 2022 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 2021, 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 2021 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 2021, 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 2022. 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 2021				
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
Year ended 31 December 2021				
Opening net book value	12,696,952	89,154	7,507	12,793,613
Additions	-	56,481	7,584	64,065
Reversal of part of the revaluation surplus, previously recognised	(500,000)	-	-	(500,000)
Depreciation charge	(79,574)	(26,875)	(2,083)	(108,532)
Closing net book amount	12,117,378	118,760	13,008	12,249,146
At 31 December 2021				
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
Period ended 30 June 2022				
Opening net book value	12,117,378	118,760	13,008	12,249,146
Additions	-	6,054	10,919	16,973
Depreciation charge	(39,787)	(13,740)	(1,588)	(55,115)
Closing net book amount	12,077,591	111,074	22,339	12,211,004
At 30 June 2022				
Cost or valuation	12,435,673	685,800	377,945	13,499,418
Accumulated depreciation	(358,082)	(574,726)	(355,606)	(1,288,414)
Net book amount	12,077,591	111,074	22,339	12,211,004

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 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 property as at 31 December 2021 on the basis of market conditions, which resulted in a reversal of part of the revaluation surplus previously recognised, amounting to €500,000 resulted. This reversal was debited to the revaluation reserve, in shareholders' equity, net of applicable deferred tax during the year ended 31 December 2021. 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 holds 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% (2021: 2.5%): represents the estimated average growth of the Company's concession income.
- A discount rate of 6% (2021: 6%) was applied in estimating the net present value of the projected future free cash flows, and a cap rate of 5.7% (2021: 5%).

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 2022	31 December 2021
	€	€
	Unaudited	Audited
Not later than 1 year	578,749	565,222
Later than 1 year and not later than 5 years	1,144,480	1,309,744
Later than 5 years	-	36,780
	1,723,229	1,911,746

5. Dividends

On 23 May 2022, the Board of Directors approved the payment of a dividend in respect of the year ended 31 December 2021 amounting to €239,275 (2021: nil).

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 2022	Six-months ended 30 June 2021
	€	€
	Unaudited	Unaudited
Management fees	21,222	20,000

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 2022, 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

22 August 2022