

UNITED GROUP LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2020

UNITED GROUP LIMITED

Annual Report and Consolidated Financial Statements - 31 December 2020

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Directors' report

The directors present their report and the audited financial statements of the group and of the parent company for the year ended 31 December 2020.

Principal activities

The parent company's principal activity, is to provide management services to its subsidiary undertakings. United Group Limited is the parent company of subsidiaries involved in car hire and car leasing, retailing of branded garments and related goods, operation of catering outlets, letting and development of property. Included within the group is another company which acts as a finance company for the group companies. United Group Limited is also a key stakeholder in the Pendergardens consortium entrusted with the development of quality residential units and commercial space in St Julians and also has a joint controlling interest in Motors Inc. Limited, a leading car importer on the island. Details of the companies forming the group are disclosed in Notes 7 and 8 to these financial statements.

Financial Performance

The majority of United Group's operations have been affected by the COVID-19 pandemic which impacted the general economic and consumer trends worldwide. The outbreak of the pandemic in early 2020 has caused disruption to businesses and economic activity. The Group derives its revenues from the fashion retail industry, motor vehicles rental and leasing activities and from property rentals, catering operations and other investments.

In line with directives issued by the health authorities, during the year the Group had to abide with lock-down in all of its retail and catering outlets. The Group has, in the respective operations, taken action to control expenditure and cash outflows.

Whilst motor vehicle leasing activities have been relatively unscathed due to the long-term nature of such agreements, the Group experienced significant decline in demand in the vehicle rental division following closure of the airports. To date, despite gradual easing of travel restrictions, the tourism sector remains weak and cashflows from vehicle rentals continues to recover at a slow pace. During 2020, the Group has taken measures to contain costs, cash outflows and right-sizing of fleet.

Property rentals remained consistent due to the long-term nature of such agreements and also due to the fact that space made available to tenants is mainly in the form of office units which were impacted in relatively milder manners compared to units occupied by businesses operating in the retail and tourism industries.

The impact of the outbreak resulted in a decrease in revenue for the Group of €5.8m during the year, resulting in a total revenue of €6.7m. The decrease in revenue was mainly attributable to retail (€4.2m) and automotive (€1.4m). The year under review resulted in an operating loss before fair value increases, share of results from associates and jointly-controlled ventures, interest and tax amounting to €1.4m (2019: loss of €1.2m).

Furthermore, following the completion of its property in Qormi, during the year the Group reflected increases in fair value of its investment properties of €1.3m (2019: increase in fair value of €1.38 m). Net finance costs amounted to €1.1m, representing a decrease of €0.1m over prior year. As a result of the above the Group recorded a loss for the year amounting to €1.3m (2019: profit before tax of €0.8m).

The parent company, United Group Limited, during the current year registered a loss of €1.03 million (2019: loss of €0.14 million).

Directors' report - continued

Financial Position

The Group's total assets as at end 2020 increased to €37.3 m, resulting in an increase in the Group's asset base of €0.4m. This increase is primarily brought about by additions to its investment property under construction of €2.4m as well as increases in fair value of €1.3 m on the same property and other investment properties owned by the Group. These increases are offset by a decrease in its right-of-use assets and property, plant and equipment amounting to €3.0m and a decrease of €1.7m in the Group's current assets.

The total liabilities of the Group at year-end amounted to €30.6m (2019: €28.9m. Liabilities mainly comprise the €8.5m 5.3% 2023 Bond Issue and other local bank borrowings amounting to €9.5m, representing an increase of €1.8m, primarily drawn to finance the construction costs of the Pinto property in Qormi.

Financial risk management

Information pertaining to the Group and Company's financial risk management is included in Note 2 to these financial statements.

COVID-19 and the related impact on financial and operational performance

Following the outbreak of COVID-19 in early 2020, the Group has undertaken cashflow containment measures such as, availing of the COVID-19 wage supplement, negotiation of lease concessions with landlords and negotiations of moratoria on loans and hire-purchase commitments. In addition, as further detailed in note 1.1, during 2020 the board of directors embarked on a review of the Group's business model to ensure that post the COVID-19 pandemic, the Group will be well positioned to ensure that it will continue in operation and will generate positive cashflows and results.

Management and the board of directors have prepared detailed base case projections for profitability and cashflows extending beyond the 12 months from the date of reporting of these financial statements for the Group and Company, taking into consideration the planned action points described above.

At Group level, on the basis of cash flow and profitability projections and the remedial actions described above, management and the board of directors remain confident that the Group will remain operating as a going concern and will continue to honour liabilities as and when they fall due. Notwithstanding this, the directors note the possibility of deviations, on a needs basis, from the business plan or the possibility of elements of the business plan not materialising as planned. In this regard, the Board of Directors is committed to pursue changes to the business plan and to obtain alternative liquidity, such as through disposal of property held in the Company or in the Group to third parties to ensure that commitments at Group and Company level are met as and when they fall due.

Future development and events after the reporting date

The Group has in past years enacted a strategy for development of its various lines of activity. The Group during 2020, has engaged in reassessing a strategy that caters for the impact of COVID-19 coupled with the strains on the economy which have become a reality post the pandemic on the Group's various lines of business. The directors & management are continuously assessing the performance of its subsidiaries and investments to ensure the long-term viability of the Group.

As part of the directors' review of the Group's operations, the board of directors have discontinued of the Group's retail operations during Q2 of 2021.

Directors' report - continued

Results and dividends

The income statements and the statements of comprehensive income are set out on pages 12 and 13. No interim dividends were paid during the year. The directors do not propose the payment of a final dividend and propose that the balance of retained earnings be carried forward to the next financial year.

Directors

The directors of the parent company who held office during the year were:

Ms Carmen Gatt Baldacchino - Chairperson
Mr Edmund Gatt Baldacchino
Mr Simon Gatt Baldacchino
Ms Josianne Tonna
Ms Dolores Gatt Baldacchino
Ms Helga Ellul
Mr Joseph FX Zahra

The company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent 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 group and the parent 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 necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, (Cap. 386). They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report - continued

Auditors

The auditors, PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Ms Carmen Gatt Baldacchino
Chairperson



Mr Edmund Gatt Baldacchino
Director

Registered office:
United Group of Companies
Pinto Business Centre
Level 4, Mill Street
Qormi, QRM 3104
Malta

30 July 2021



Independent auditor's report

To the Shareholders of United Group Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- United Group Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2020, and of the Group's and the Parent 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).

What we have audited

United Group Limited's financial statements, set out on pages 10 to 63, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements 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 Group and the Parent 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 United Group Limited

Emphasis of matter

We draw attention to Note 1.1 in relation to the basis of preparation of these financial statements, which addresses developments in connection with COVID-19, and the potential impact on financial and operational performance. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potentially unfavourable nature of these developments. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report - continued

To the Shareholders of United Group Limited

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 Group's and the Parent 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 Group's or the Parent 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group and Parent Company's trade, customers, and suppliers, and the disruption to their business and the overall economy.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.



Independent auditor's report - continued

To the Shareholders of United Group Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the <i>Annual Report and Financial Statements 2020</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 4)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">• 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of United Group Limited

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or 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 which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta



Stephen Mamo
Partner

30 July 2021

Statements of financial position


		As at 31 December				
		Group		Company		
Notes		2020	2019	2020	2019	
		€		€		
ASSETS						
Non-current assets						
	Property, plant and equipment	4	5,005,640	6,998,835	186,090	205,783
	Right-of-use assets	5	3,511,800	4,548,643	-	-
	Investment properties	6	17,490,659	12,483,028	1,520,200	1,520,200
	Investments in subsidiaries	7	-	-	4,015,027	4,164,321
	Investments in associates and jointly-controlled entities	8	7,197,660	7,145,584	2,888,023	2,888,023
	Equity investments at fair value through other comprehensive income	9	-	304,871	-	-
	Trade and other receivables	11	79,402	352,302	1,709,150	79,402
	Deferred tax assets	17	782,469	224,759	162,589	162,589
	Total non-current assets		34,067,630	32,058,022	10,481,079	9,020,318
Current assets						
	Inventories	10	1,048,278	1,621,255	-	-
	Trade and other receivables	11	951,190	1,679,072	210,805	180,288
	Cash and cash equivalents	12	1,230,795	1,562,377	87	3,853
	Total current assets		3,230,263	4,862,704	210,892	184,141
	Total assets		37,297,893	36,920,726	10,691,971	9,204,459

Statements of financial position - continued

		As at 31 December			
		Group		Company	
Notes		2020	2019	2020	2019
		€	€		
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	24,653	24,653	24,653	24,653
Revaluation reserve	14	8,943,135	8,464,531	469,960	544,718
Other reserves	15	-	61,505	-	-
Merger reserves	16	-	-	32,960	32,960
(Accumulated losses)/ retained earnings		(2,291,638)	(512,808)	(359,219)	595,089
Total equity		6,676,150	8,037,881	168,354	1,197,420
Non-current liabilities					
Deferred tax liabilities	17	1,503,638	724,545	126,020	51,262
Lease liabilities	18	2,791,360	3,780,390	-	-
Borrowings	19	14,433,415	12,812,236	6,557,527	5,433,015
Trade and other payables	20	2,518,168	2,084,996	-	-
Total non-current liabilities		21,246,581	19,402,167	6,683,547	5,484,277
Current liabilities					
Lease liabilities	18	966,143	897,929	-	-
Borrowings	19	4,077,343	3,632,399	3,174,486	2,384,666
Trade and other payables	20	4,331,676	4,950,350	665,584	138,096
Total current liabilities		9,375,162	9,480,678	3,840,070	2,522,762
Total liabilities		30,621,743	28,882,845	10,523,617	8,007,039
Total equity and liabilities		37,297,893	36,920,726	10,691,971	9,204,459

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

The financial statements on pages 10 to 63 were authorised for issue by the board of directors on 30 July 2021 and were signed on its behalf by:



Ms Carmen Gatt Baldacchino
Chairperson



Mr Edmund Gatt Baldacchino
Director

Income statements

		Year ended 31 December			
		Group		Company	
Notes	2020	2019	2020	2019	
	€	€	€	€	
Revenue	21	6,656,140	12,527,476	688,921	656,983
Cost of sales	22	(5,551,699)	(8,680,028)	(556,060)	(566,737)
Gross profit		1,104,441	3,847,448	132,861	90,246
Selling and other direct expenses	22	(2,072,169)	(3,493,457)	-	-
Administrative expenses	22	(917,265)	(1,142,099)	(886,399)	(765,301)
Other income	24	1,784,532	2,019,879	118,507	805,098
Operating (loss)/profit		(100,461)	1,231,771	(635,031)	130,043
Share of results of associates and jointly-controlled entities	8	52,076	902,093	-	-
Investment income	25	90	3,457	-	168,462
Finance income	26	43	415	-	-
Finance costs	27	(1,120,469)	(1,237,413)	(441,749)	(387,361)
(Loss)/profit for the year before tax		(1,168,721)	900,323	(1,076,780)	(88,856)
Tax (charge)/credit	28	(100,022)	(87,868)	47,714	(47,547)
Net (loss)/profit for the year		(1,268,743)	812,455	(1,029,060)	(136,403)

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
Notes		2020	2019	2020	2019
			€	€	€
	(Loss)/profit for the year	(1,268,743)	812,455	(1,029,066)	(136,403)
	Other comprehensive (loss)/income				
	Net fair value loss on				
	available-for-sale financial assets	15	(92,988)	(73,679)	-
	Fair value gain of revaluation of				
	Property, plant and equipment	14	-	383,466	-
	Other comprehensive (loss)/gain				
	for the year, net of tax	(92,988)	309,787	-	-
	Total comprehensive (loss)/income				
	for the year	(1,361,731)	1,122,242	(1,029,066)	(136,403)

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Revaluation reserve €	Other reserves €	Accumulated losses €	Total €
Balance at 1 January 2019		24,653	6,700,126	135,184	55,676	6,915,639
Comprehensive income						
Profit for the financial year		-	-	-	812,455	812,455
Other comprehensive income:						
Net fair value loss on available-for-sale financial assets	15	-	-	(73,679)	-	(73,679)
Net fair value gains on property, plant and equipment	14	-	383,466	-	-	383,466
Transfer of revaluation surplus on investment property, net of deferred tax	14	-	1,380,939	-	(1,380,939)	-
Total comprehensive income		-	1,764,405	(73,679)	(568,484)	1,122,242
Balance at 31 December 2019		24,653	8,464,531	61,505	(512,808)	8,037,881

Statements of changes in equity - continued

Statements of changes in equity

Group	Notes	Share capital €	Revaluation reserve €	Other reserves €	Accumulated losses €	Total €
Balance at 1 January 2020		24,653	8,464,531	61,505	(512,808)	8,037,881
Comprehensive income						
Profit for the financial year		-	-	-	(1,268,743)	(1,268,743)
Other comprehensive income:						
Net fair value loss on available-for-sale financial assets	15	-	-	(92,988)	-	(92,988)
Net fair value gains on property, plant and equipment	14	-	-	-	-	-
Transfer of loss on disposal of equity Investment at fair value through other comprehensive income to retained earnings		-	-	31,483	(31,483)	-
Transfer of revaluation surplus on investment property, net of deferred tax	14	-	478,604	-	(478,604)	-
Total comprehensive income		-	478,604	(61,505)	(1,778,830)	(1,361,731)
Balance at 31 December 2020		24,653	8,943,135	-	(2,291,638)	6,676,150

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company	Share capital €	Other reserve €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2019	24,653	32,960	-	1,276,210	1,333,823
Comprehensive income					
Loss for the financial year – total comprehensive income	-	-	-	(136,403)	(136,403)
Other comprehensive income					
Transfer of revaluation surplus on investment property, net of deferred tax	-	-	544,718	(544,718)	-
Total comprehensive income	-	-	544,718	(681,121)	(136,403)
Balance at 31 December 2019	24,653	32,960	544,718	595,089	1,197,420
Balance at 1 January 2020	24,653	32,960	544,718	595,089	1,197,420
Comprehensive income					
Loss for the financial year – total comprehensive income	-	-	-	(1,029,066)	(1,029,066)
Other comprehensive income					
Transfer of deferred tax on investment property	-	-	(74,758)	74,758	-
Total comprehensive income	-	-	(74,758)	(954,308)	(1,029,066)
Balance at 31 December 2020	24,653	32,960	469,960	(359,219)	168,354

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
Notes	2020	2019	2020	2019	
		€			
Cash flows from operating activities					
Cash generated from operations	30	1,771,189	3,301,609	(1,279,010)	88,921
Interest received and investment income	25, 26	133	3,872	-	-
Interest paid	27	(1,120,469)	(1,237,413)	(441,749)	(387,361)
Net income tax refund		121,361	92,574	122,472	7,606
Net cash generated from/(used in) operating activities		772,214	2,160,642	(1,598,287)	(290,834)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(683,650)	(2,813,137)	(19,811)	(144,254)
Proceeds from disposal of property, plant and equipment	4	350,803	368,721	-	8,474
Acquisition/improvements to investment property	6	(2,449,934)	(2,089,192)	-	(883,190)
Acquisition of investment in subsidiary	7		-	(300,000)	(199,001)
Proceeds from disposal in AFS	9	211,883	-	-	-
Net cash used in investing activities		(2,570,898)	(4,533,608)	(319,811)	(1,217,971)
Cash flows from financing activities					
Dividends received		-	25,000	-	168,462
Movement in borrowings		1,802,686	2,286,381	1,879,680	957,798
Principal elements of lease payments (IFRS 16)		(599,021)	(897,334)	-	-
Net cash generated from financing activities		1,203,665	1,414,047	1,879,680	1,126,260
Net movement in cash and cash equivalents		(595,019)	(958,919)	(38,418)	(382,545)
Cash and cash equivalents at beginning of year		(1,689,275)	(730,356)	(2,324,719)	(1,942,174)
Cash and cash equivalents at end of year		(2,284,294)	(1,689,275)	(2,363,137)	(2,324,719)

The notes on pages 18 to 63 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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

The consolidated financial statements include the financial statements of United Group Limited and its subsidiaries. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and the fair valuation of investment property and available-for-sale financial assets.

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

Covid-19 and the impact on financial and operational performance and going-concern

The business activities of the companies forming part of the United Group are all concentrated in and aimed at the Maltese market. While the business activities of such companies are diversified, the companies are exposed to risks where negative economic trends may from time to time impact Malta.

As at 31 December 2020, current liabilities exceeded current assets by €6,144,899 (2019: €4,617,974) in Group and €3,629,178 (2019: €2,338,621) in the standalone entity.

The majority of United Group's operations have been affected by the COVID-19 pandemic which impacted the general economic and consumer trends worldwide. The outbreak of the pandemic in early 2020 has caused disruption to businesses and economic activity.

The Group derives its revenues from the fashion retail industry, motor vehicles rental and leasing activities and from property rentals, catering operations and other investments.

In line with directives issued by the health authorities, during the year the Group had to abide with lock-down in all of its retail and catering outlets. The Group has, in the respective operations, taken action to control expenditure and cash outflows.

Whilst motor vehicle leasing activities have been relatively unscathed due to the long-term nature of such agreements, the Group experienced significant decline in demand in the vehicle rental division following closure of the airports. To date, despite gradual easing of travel restrictions, the tourism sector remains weak and cashflows from vehicle rentals continues to recover at a slow pace. During 2020, the Group has taken measures to contain costs, cash outflows and right-sizing of fleet.

Property rentals remained consistent due to the long-term nature of such agreements and also due to the fact that space made available to tenants is mainly in the form of office units which were impacted in relatively milder manners compared to units occupied by businesses operating in the retail and tourism industries.

Furthermore, the Group has undertaken further cashflow containment measures such as, availing of the COVID-19 wage supplement, negotiation of lease concessions with landlords and negotiations of moratoria on loans and hire-purchase commitments.

During 2020 the board of directors embarked on a review of the Group's business model to ensure that post the COVID-19 pandemic, the Group will be well positioned to ensure that it will continue in operation and will generate positive cashflows and results.

1. Summary of significant accounting policies - continued

Covid-19 and the impact on financial and operational performance and going-concern - continued

As part of this business model review, the Group has already put in place the below remedial action points:

- Discontinuation of the catering operation from September 2020;
- Discontinuation of the Group's retail operations during Q2 of 2021;
- Leasing out of property previously used by the catering operation to third parties;
- Successful application for Malta Development Bank loan for €1m in United Finance p.l.c. to support working capital commitments. Funds were made available in 2021.

To date, various of the Group's subsidiaries operating in the industries described above have not reached pre-COVID performance and profitability and despite the vaccine roll-out in early 2021, it is unclear when tourism and retail will be back to a relative norm. As part of the business review plan described above, the Board of Directors of the Group are also exploring additional measures as explained below to mitigate the impact of COVID-19 and to re-strategise the Group into the future:

- Monitoring and further containment of the Group's operating costs as a result of the changes in strategy and operations throughout the respective subsidiaries. The latter also being addressed as mitigating factors to government measures as a response to further waves of the pandemic;
- Revisiting and consolidating the Group's borrowings as part of the restructuring exercise described above. In this regard the Group is in an advanced stage to refinance its current facilities to align its borrowings with the Group's revised operational model and forecasted cashflows.

Management and the board of directors have prepared detailed base case projections for profitability and cashflows extending beyond the 12 months from the date of reporting of these financial statements for the Group and Company, taking into consideration the planned action points described above.

At Group level, on the basis of cash flow and profitability projections and the remedial actions described above, management and the board of directors remain confident that the Group will remain operating as a going concern and will continue to honour liabilities as and when they fall due. Notwithstanding this, the directors note the possibility of deviations, on a need's basis, from the business plan or the possibility of elements of the business plan not materialising as planned. In this regard, the Board of Directors is committed to pursue changes to the business plan and to obtain alternative liquidity, such as through disposal of property held in the Company or in the Group to third parties to ensure that commitments at Group and Company level are met as and when they fall due.

1. Summary of significant accounting policies - continued

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group and Company's accounting policies impacting the financial performance and position. Furthermore, the Group has adopted amendments to IFRS 16 issued in May 2020 in relation to COVID-19 related rent concessions. The impact of adoption of this amendment is further explained in note 18.

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

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 Group and Company's accounting periods beginning after 1 January 2020. The Group and 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.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income (see Note 1.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

A listing of the subsidiaries is set out in Note 7 to the financial statements.

1. Summary of significant accounting policies - continued

(b) Associates and jointly-controlled entities

Associates and jointly-controlled entities are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates and jointly-controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates and jointly-controlled entities includes goodwill identified on acquisition net of any accumulated impairment loss. See Note 1.7 for the impairment of non-financial assets including goodwill.

The group's share of its associates and jointly-controlled entities' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate or a jointly-controlled entity equals or exceeds its interest in the associate or jointly-controlled entity, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled entity.

Unrealised gains on transactions between the group and its associates and jointly-controlled entities are eliminated to the extent of the group's interest in the associates and jointly-controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and jointly-controlled entities have been changed where necessary to ensure consistency with the policies adopted by the group.

A listing of the group's associates and jointly-controlled entities is set out in Note 8 to the financial statements.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro which is the group's functional currency and the group's presentation policy.

(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.

All foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

1. **Summary of significant accounting policies - continued**

1.4 Property, plant and equipment

All property, plant and equipment are initially recorded at historical cost. Land and buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis, but at least every five years unless the directors consider it appropriate to have an earlier revaluation 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All other plant and equipment are stated at historical cost less depreciation.

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 group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the differences between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, is transferred from the revaluation reserve to retained earnings.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other assets 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:

	%
Buildings	1
Plant and equipment	10 - 25
Furniture and fittings	7 1/2 - 33 1/3
Motor vehicles	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 its carrying amount is greater than its estimated recoverable amount (see Note 1.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property comprises freehold and leasehold land and buildings, and land and buildings held under long-term operating leases.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed periodically by the group directors.

The fair value of investment property reflects, among other factors, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. Changes in fair values are recorded in profit or loss.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1. Summary of significant accounting policies - continued

1.6 Investments in subsidiaries, associates and jointly-controlled entities

In the group's financial statements, investments in subsidiaries, associates and jointly-controlled entities are accounted for by the cost method of accounting. The dividend income from such investments is included in the statement of comprehensive income in the accounting year in which the group's rights to receive payment of any dividend is established. The group gathers objective evidence that an investment is impaired using the same process disclosed in Note 1.8.3. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the group's investment in that subsidiary, associate or jointly-controlled entity. Loans to subsidiaries, associates or jointly-controlled entities for which settlement is planned are classified as loans and receivables in accordance with the requirements of IFRS 9.

A listing of the group's principal subsidiaries is set out in Note 7, whereas a listing of the group's principal associates and joint ventures is set out in Note 8.

1.7 Impairment of non-financial assets

Assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.8 Financial assets

1.8.1 Classification

The group classifies its financial assets, (other than investments in jointly controlled entities and in subsidiaries) in the following 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 group's business model for managing the financial assets and the contractual terms of the cash flows.

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

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

1.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

1.8.3 Measurement

At initial recognition, the group 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 Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group 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.

- **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.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

1.8.3 Measurement - continued

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group'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 group'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.

1.8.4 Impairment

The Group 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.

The Group 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 group's previous accounting policy.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out cost method.

The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property held for resale is valued by specifically identifying the cost of individual items. The cost of construction work in progress represents acquisition costs, expenses incidental to acquisition, borrowing costs and, in the case of land and buildings previously held as property, plant and equipment, the carrying value of the property as last revalued prior to its transfer to property held for resale.

Gains and losses on disposal of property held for resale are determined by reference to their carrying amount and are taken into account in determining gross profit. On disposal of a revalued asset, amounts in the revaluation reserve or other reserve relating to that asset are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers. 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 (note 1.8). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss. Impairment of financial assets is described in Note 1.8.4 above.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statements 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.

1.12 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. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

1.13 Trade and other payables

Trade payables are 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.

1.14 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. which are not at fair value through profit or loss. 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 financial liabilities are subsequently measured at amortised cost. The group 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. Summary of significant accounting policies - continued

1.15 Borrowings

Borrowings are recognised initially at fair value, 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 the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial 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.

1.17 Current and deferred taxation

The tax expense for the period 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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

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 substantially 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 tax 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.

1.18 Provisions

Provisions are recognised when the group 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1. Summary of significant accounting policies - continued

1.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(a) Sale of goods

Sale of goods is recognised when the group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sale of services

Sale of services performed is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Property related income

Rentals and short-term lets receivable on immovable property are recognised in the period when the property is occupied.

(d) Interest income

Interest income is recognised as it accrues using the effective interest method unless collectability is in doubt.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.20 Leases

(a) The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

1. Summary of significant accounting policies - continued

1.20 Leases - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1. Summary of significant accounting policies - continued

1.20 Leases - continued

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(b) The Group is the lessor

The Group enters into various sub-leasing agreements, as an intermediate lessor with its subsidiaries, whereby the sub-leasing agreements are aligned with the head lease agreements with third parties, thereby effectively transferring all risks and rewards relating to the leased assets for the same term and consideration.

Upon entering into such sub-leasing agreements, the Group derecognises the right-of-use assets relating to such agreements and accounts for the arising lease receivables separately from the lease liabilities arising from the head lease.

1.21 Borrowing costs

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings.

1.22 Dividend distribution

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

1.23 Reorganisations

Mergers between the company and its subsidiaries do not fall within the scope of IFRS 3 and are accounted for using the reorganisation method of accounting. Under the reorganisation method of accounting, assets and liabilities are incorporated at the pre-merger carrying values, which are the carrying amounts of assets and liabilities of the acquired entity.

No new goodwill arises in reorganisation accounting. Any difference between the pre-merger carrying amount of the investment in the subsidiary (together with any consideration given), and the aggregate book value of the assets and liabilities of the acquired entity (as of the date of the transaction), is included in equity in a separate reserve. The financial statements incorporate the acquired entity's results from the first day of the comparative period presented.

1. **Summary of significant accounting policies - continued**

2. **Financial risk management**

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The parent company's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) *Market risk*

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the group's purchases are denominated in Great British Pound (GBP).

The carrying amount of the principal payables denominated in foreign currencies as at the end of the reporting periods were as follows:

	2020	2019
		€
Trade and other payables		
GBP	484,486	322,075

The company's revenues, purchases and operating expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. Accordingly, based on the above disclosures the company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

2. Financial risk management - continued

(ii) Cash flow and fair value interest rate risk

In general, the group's exposure to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flow are not deemed to be substantial by the directors in view of the nature of the assets and liabilities. Notes 8, 12 and 17 incorporate interest rate risk and maturity information with respect to the group's assets and liabilities.

The group is not exposed to interest rate risk in relation to fixed interest-bearing assets.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, comprising bank borrowings, expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to the 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. During the year, interest rates on these financial instruments were linked with the Central Intervention Rate issued by the Central Bank of Malta. Borrowings issued at fixed rates, consisted primarily of bonds which are carried at amortised cost.

Up to the reporting period, the group did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the directors.

(iii) Price risk

The group is exposed to market price risk on its financial assets, particularly on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments.

The group reduces this risk by diversifying its investments in different sectors. The group's investment portfolio is overseen by the subsidiary's Audit Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines.

The total assets subject to equity price risk are the following:

	2020	2019
		€
Assets subject to equity price risk		
Local listed	-	304,871

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit exposures to customers, including hire purchase debtors, outstanding receivables and committed transactions.

The following table illustrates the assets that expose the group to credit risk as at the reporting date. Unrated financial assets principally comprise receivables and certain deposits with local bank institutions for which no international rating is available.

Group	Notes	2020 Unrated €	2019 Unrated €
Loans and receivables			
Trade receivables	11	606,073	1,029,549
Cash and cash equivalents	12	1,230,795	1,562,377
		1,836,868	2,591,926
Company	Note	2020 Unrated €	2019 Unrated €
Trade and other receivables	11	1,869,508	217,140

The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and indirect taxation.

Third party trade and other receivables (including contract assets)

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that financing transactions and sales of products and services are effected with customers having an appropriate credit history. The group has no significant concentration of credit risk with respect to trade receivables in view of the large number of customers comprising its trade receivable base.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. 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 tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with costumers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

Following the outbreak of COVID-19, the Group has monitored information available on macroeconomic factors, affecting repayment ability, as well as the actual and projected impact of the pandemic on the business model of the customers serviced by the Group. Payment patterns attributable to the Group's customers post COVID-19 outbreak was thoroughly and regularly assessed to determine whether any deterioration in collection rates was being experienced. The Group determined that the expected credit losses have not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of receivables.

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 2020, trade receivables for the Group amounting to €104,587 (2019: €50,887) were provided for.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Amounts due by group companies and related parties

The Company's other financial assets at amortised cost include current balances due from group and related undertakings. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates, taking into consideration the impact of COVID-19 on the financial performance and operations of the respective counterparties. The Group's management uses judgement in making these assumptions, based on the counterparty's history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting impairment charge required for Company was of €210,750 (2019:Nil).

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally lease liabilities, interest-bearing borrowings and trade and other payables (refer to Notes 18, 19 and 20). 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 group's obligations and ensuring that alternative funding is available when the bank loans and debt securities are due for repayment.

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

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

The following table analyses the group's and company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	Carrying amount €	Contractual cash flows €	On demand €	Within one year €	One to two years €	Two to seven years €
31 December 2020						
Lease liabilities	3,757,503	4,337,271	-	1,155,162	951,989	2,230,120
Borrowings	10,080,323	11,333,105	3,515,089	786,588	990,117	6,041,311
Unsecured bond 2023	8,430,435	9,781,395	-	450,500	450,500	8,880,395
Trade and other payables	6,849,844	7,175,409	3,584,385	1,067,752	867,143	1,647,129
	29,118,105	32,627,180	7,099,474	3,460,002	3,259,749	18,798,955
31 December 2019						
Lease liabilities	4,678,319	5,493,147	-	1,155,876	1,155,163	3,182,108
Borrowings	7,410,173	8,357,407	2,625,559	548,484	697,999	4,485,365
Unsecured bond 2023	8,408,369	10,302,000	-	450,500	450,500	9,401,000
Trade and other payables	7,035,346	7,098,395	4,013,391	1,091,133	851,580	1,142,291
	27,532,207	31,250,949	6,638,950	3,245,993	3,155,242	18,210,764

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Company	Carrying amount €	Contractual cash flows €	On Demand €	Within one year €	One to two years €	Two to five years €	Over five years €
31 December 2020							
Borrowings (Note 19)	9,732,013	10,899,541	2,363,224	811,262	118,057	6,439,470	-
Trade and other payables (Note 20)	665,584	665,584	665,584	-	-	-	-
	10,397,597	11,565,125	3,028,808	811,262	118,057	6,439,470	-
31 December 2019							
Borrowings (Note 19)	7,817,681	8,598,947	2,328,572	56,094	657,262	5,521,150	35,866
Trade and other payables (Note 20)	138,096	138,096	138,096	-	-	-	-
	7,955,777	8,737,043	2,466,668	56,094	657,262	5,521,150	35,866

2.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is measured by reference to the amounts reflected in the financial statements where the group's property, plant and equipment and investment property are stated at revalued amounts and fair value amounts respectively.

Structural borrowings include all interest bearing borrowings, less cash at bank. Borrowings include secured bonds issued by the group. The gearing ratios at 31 December 2020 and 2019 were as follows:

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Total borrowings (Note 19)	18,510,758	16,444,635	9,732,013	7,817,681
Total lease liabilities (Note 18)	3,757,503	4,678,319	-	-
Less: Cash at bank (Note 12)	(1,230,795)	(1,562,377)	(87)	(3,853)
Net borrowings	21,037,466	19,560,577	9,731,926	7,813,828
Total equity	6,676,150	8,037,881	168,354	1,197,420
Total capital	27,713,616	27,598,458	9,900,280	9,011,248
Gearing	76%	71%	98%	87%

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2020 and 2019 the carrying amounts of the group's cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial 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.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of the Group's non-current bank borrowings at the end of the reporting period is not significantly different from the carrying amounts. Information on the fair value of the bonds issued to the public is disclosed in the respective note to the financial statements.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

The fair value of publicly traded investments classified as equity investments at fair value through other comprehensive income are based on quoted market prices at the end of the reporting period (refer to Note 9).

IFRS 7 requires for financial instruments that are measured in the statement of financial position at fair value, disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	Level 1	
	2020	2019
	€	€
Assets		
Equity investments at fair value through other comprehensive income		
- Equity securities (Note 9)	-	304,871

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.

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment	Improvements to premises €	Land and Buildings €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Total €
Group						
At 1 January 2019						
Cost or valuation	1,177,044	-	1,808,318	2,288,275	4,085,860	9,359,497
Accumulated depreciation	(618,301)	-	(1,503,380)	(1,439,284)	(454,130)	(4,015,095)
Net book amount	558,743	-	304,938	848,991	3,631,730	5,344,402
Year ended 31 December 2019						
Opening net book amount	558,743	-	304,938	848,991	3,631,730	5,344,402
Additions	10,287	883,189	111,591	99,765	1,707,766	2,813,138
Revaluation	-	416,811	-	-	-	416,811
Reclassifications	14,957	-	-	(14,957)	-	-
Disposals	(168,885)	-	(49,562)	(39,632)	(628,731)	(886,810)
Depreciation charge	(92,258)	-	(102,422)	(179,100)	(760,477)	(1,134,257)
Depreciation released on disposals	15,103	-	10,296	5,200	414,953	445,552
Closing net book amount	338,487	1,300,000	274,842	720,267	4,365,239	6,998,835
At 31 December 2019						
Cost or valuation	1,033,944	1,300,000	1,870,347	2,333,450	5,164,893	11,702,634
Accumulated depreciation	(695,457)	-	(1,595,505)	(1,613,183)	(799,654)	(4,703,799)
Closing net book amount	338,487	1,300,000	274,842	720,267	4,365,239	6,998,835

4. Property, plant and equipment - continued

Group	Improvements to premises €	Land and Buildings €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Total €
At 1 January 2020						
Cost or valuation	1,033,944	1,300,000	1,870,347	2,333,450	5,164,593	11,702,334
Accumulated depreciation	(695,457)	-	(1595,505)	(1,613,183)	(799,354)	(4,703,499)
Net book amount	338,487	1,300,000	274,842	720,267	4,365,239	6,998,835
Year ended 31 December 2020						
Opening net book amount	338,487	1,300,000	274,842	720,267	4,365,239	6,998,835
Additions	7,683	-	7,793	9,864	658,310	683,650
Reclassification to investment property	-	(1,300,000)	-	-	-	(1,300,000)
Disposals	-	-	-	(56,728)	(678,503)	(735,231)
Depreciation charge	(42,288)	-	(80,106)	(150,079)	(796,710)	(1,069,183)
Depreciation released on disposals	-	-	-	14,047	413,522	427,569
Closing net book amount	303,882	-	202,529	537,371	3,961,585	5,005,640
At 31 December 2020						
Cost or valuation	1,041,627	-	1,878,140	2,286,586	5,144,400	10,350,753
Accumulated depreciation	(737,745)	-	(1,675,611)	(1,749,215)	(1,182,542)	(5,345,113)
Net book amount	303,882	-	202,529	537,371	3,961,858	5,005,640

Land and buildings acquired and accounted for at fair value in 2019, related to the acquisition of a restaurant in Rabat. This property was reclassified to investment property during 2020 following the Group's decision to discontinue its catering operations and to lease out the property to third parties. Refer to Note 6 for details covering the assumptions considered in arriving at the fair value of the property.

4. Property, plant and equipment - continued

Bank borrowings are secured by the group's property, plant and equipment (Note 19).

Motor vehicles include leased assets to third parties under operating leases, where the Group is a lessor, as follows:

	2020 €	2019 €
Cost	1,989,935	1,721,797
Accumulated depreciation	(582,547)	(527,144)
Net book amount	1,407,388	1,194,653

Company	Office equipment €	Motor Vehicles €	Furniture and fittings €	Plant and machinery €	Total €
Year ended 31 December 2019					
Opening net book amount	30,002	75,980	-	-	105,982
Additions	1,090	-	73,164	70,000	144,254
Disposals	-	(38,199)	-	-	(38,199)
Depreciation charge	(4,182)	(16,487)	(5,471)	(10,500)	(36,640)
Depreciation released on disposals	-	30,386	-	-	30,386
Closing net book amount	26,910	51,680	67,693	59,500	205,783
At 31 December 2019					
Cost	71,048	62,528	73,164	70,000	276,740
Accumulated depreciation	(44,138)	(10,848)	(5,471)	(10,500)	(70,957)
Net book amount	26,910	51,680	67,693	59,500	205,783
Year ended 31 December 2020					
Opening net book amount	26,910	51,680	67,693	59,500	205,783
Additions	2,280	-	11,706	5,825	19,811
Depreciation charge	(3,528)	(13,957)	(8,019)	(14,000)	(39,504)
Closing net book amount	25,662	37,723	71,380	51,325	186,090
At 31 December 2020					
Cost	73,328	62,528	84,870	75,825	296,551
Accumulated depreciation	(47,666)	(24,805)	(13,490)	(24,500)	(110,461)
Net book amount	25,662	37,723	71,380	51,325	186,090

5. Right-of-use assets

	2020 €	2019 €
Group		
Year ended 31 December		
Opening net book amount	4,548,643	6,798,249
Amortisation charge	(1,036,843)	(1,027,010)
Disposals	-	(1,222,596)
	3,511,800	4,548,643

The statement of profit or loss shows the following amounts relating to leases:

	Group 2020 €	Group 2019 €
Depreciation charge of right-of-use assets	1,036,843	1,027,010
Interest expense (included in finance cost)	235,060	268,950
	1,271,903	1,295,960

6. Investment properties

	Investment property €	Under construction €	Total €
Group			
Year ended 31 December 2019			
Opening net book amount	5,841,030	3,047,889	8,888,919
Acquisition/improvements made during the year	-	2,089,192	2,089,192
Increase in fair value	179,170	1,325,747	1,504,917
	6,020,200	6,462,828	12,483,028
Year ended 31 December 2020			
Opening net book amount	6,020,200	6,462,828	12,483,028
Acquisition/improvements made during the year	-	2,449,934	2,449,934
Increase in fair value	-	1,257,697	1,257,697
Transfers	10,170,459	(10,170,459)	-
Transfer from property, plant and equipment	1,300,000	-	1,300,000
	17,490,659	-	17,490,659

6. Investment properties - continued

Company	2020	2019
	€	€
Year ended 31 December		
Opening net book amount	1,520,200	41,030
Additions	-	883,189
Increase in fair value	-	595,981
	1,520,200	1,520,200

Company	2020	2019
	€	€
Year ended 31 December		
Cost	891,259	891,259
Fair value gains	628,941	628,941
	1,520,200	1,520,200

Fair valuation of properties held by the Group

During the financial year ended 31 December 2019, the directors commissioned an independent firm of architects to carry out a market valuation of a number of the Group's properties classified as investment properties and property, plant and equipment as at that date, by considering the aggregate of the estimated cash flows expected to be received from renting out the property over a defined period, the residual value of the building following lapse of the rental period and value of the land, as well as the market value of the property. During the year-ended 31 December 2020, following the completion of the investment property under construction, the directors reflected a further increase in the fair value of the property amounting to €1,257,697, in line with the valuation obtained from the architect. The directors have approved the valuations and used them as a basis in determining the fair value of the Group's immovable properties at 31 December 2020.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. For properties currently used by the Group, reference was made to market rental rates for properties of a comparable nature.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- 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).

6. Investment properties - continued

The Group's properties comprises a residential property, an office and retail space leased out to third parties, and a property currently utilised by the Group as a catering outlet. All the recurring property fair value measurements at 31 December 2020 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2020.

A reconciliation from the opening balance to the closing balance of properties for recurring fair value measurements categorised within Level 3 of the value hierarchy is presented in the table above. Gains from changes in fair value have been recognised in the income statement.

Valuation processes

Valuation of the properties is assessed regularly by management and at least every five years a valuation report is prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Executive Officer (CEO). This includes a review of fair value movements over the period. When the CEO considers that the valuation reports are appropriate, the valuation reports are recommended to the Board of Directors. The Board of Directors considers the valuation reports as part of its overall responsibilities.

At the end of every reporting period, the CEO assesses whether any significant changes or developments have been experienced since the last external valuations and reports to the Board of Directors on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 properties have been performed using projected rental streams, residual value of the building following lapse of the rental period, and an estimated sales approach for the value of the land on the basis of market values of other areas close to the site. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally a price per square metre related to transactions in comparable properties located in proximity to the Group's properties, with adjustments for differences in the size, age, exact location and condition of the properties.

6. Investment properties - continued

Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	Fair value at 31 December 2020 €	Valuation technique	Significant unobservable input	Range of Unobservable inputs
Current use as office premises and office space under construction	13,570,000	Discounted cashflows - rental streams approach	Rental streams	Rental value p.a. of €1,068K and applying discount rates of 7%
	900,000	Replacement cost approach	Development cost per sq. mtr	€3,500
	1,500,000	Sales comparison approach	Sales price per sq. mtr	€3,000
Catering outlet	1,300,000	Capitalised rentals approach	Rental streams	Rental value of €81k and applying capitalisation Rate of 6.2%
Residential property	220,000	Sales comparison approach	Sales price per sq. mtr	€1,666

The current use of the properties of the Group is deemed to constitute the highest and best use taking cognisance of the size and location of such properties.

Non-cancellable operating lease rentals arising from investment property leased to third parties are receivable as follows:

	2020 €	2019 €
Less than one year	612,413	382,280
Between one and five years	1,304,735	308,973
	1,917,148	691,253

During the year ended 31 December 2020, €453,938 (2019: €391,651) was recognised as rent receivable in profit or loss in respect of operating leases.

At 31 December 2020 and 2019, the properties were secured in favour of banking facilities availed of by the Group.

7. Investments in subsidiaries

Company	2020	2019
	€	€
At 1 January		
Cost	4,164,321	3,965,320
Additional investment	300,000	199,001
Impairment charge	(449,294)	-
Closing net book amount	4,015,027	4,164,321

The subsidiaries at 31 December 2020 and 2019, all of which are unlisted, are shown below:

	Registered Office	Class of shares held	Percentage of shares held	
			2020	2019
United Department Stores Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	100%	100%
United Garage Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	100%	100%
United Finance p.l.c.	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	100%	100%
United Estates Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	100%	100%
United Catering Company Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	100%	100%

8. Investments in associates and jointly-controlled entities

Group	€
Year ended 31 December 2019	
Opening net book amount	6,268,491
Share of associates' and jointly-controlled entities' results	902,093
Dividend from associated entity (gross)	(38,462)
Tax on dividend from associated entity	13,462
	7,145,584
Closing net book amount	
	7,145,584
At 31 December 2019	
Cost	2,868,028
Accumulated share of associates' and jointly-controlled entities' results and movement in reserves	4,277,556
	7,145,584
Net book amount	
	7,145,584
Year ended 31 December 2020	
Opening net book amount	7,145,584
Share of associates' and jointly-controlled entities' results	52,076
	7,197,660
Closing net book amount	
	7,197,660
At 31 December 2020	
Cost	2,868,028
Accumulated share of associates' and jointly-controlled entities' results and movement in reserves	4,329,632
	7,197,660
Net book amount	
	7,197,660

8. Investments in associates and jointly-controlled entities - continued

Company	€
Year ended 31 December 2019 and 2020	
Opening and closing net book amount	2,888,023

The jointly-controlled and associated entities at 31 December all of which are unlisted are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2020	2019
Pender Ville Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	19.23%	19.23%
Cars International Limited	Mdina Road Qormi, QRM 9010 Malta	Ordinary shares	50%	50%
Motors Inc. Limited	Mdina Road Qormi, QRM 9010 Malta	Ordinary shares	33.33%	33.33%

Summarised financial information of the principal associates and jointly-controlled entities as at 31 December is as follows:

	Assets €	Liabilities €	Profits €
At 31 December 2019	97,009,522	64,162,959	4,499,803
At 31 December 2020	76,542,128	43,212,817	1,149,130

9. Equity investments at fair value through other comprehensive income

	Group	
	2020	2019
	€	€
Year ended 31 December		
Opening net book amount	304,871	378,550
Disposals	(211,883)	
Net fair value loss (Note 15)	(92,988)	(73,679)
Closing net book amount	-	304,871

The Group held investments in local listed equities. During the year ended 31 December 2020, prior to disposal, the investments in equities registered a decrease in fair value which was recognised in other comprehensive income.

Equity investments at FVOCI comprise the following individual investments:

	2020	2019
	€	€
Bank of Valletta Plc Ordinary Shares	-	176,475
HSBC Bank Malta Ordinary Shares	-	128,396
	-	304,871

10. Inventories

	Group	
	2020	2019
	€	€
Goods held for resale	1,048,278	1,621,255
	1,048,278	1,621,255

11. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Prepayments	-	272,900	-	-
Loans and other amounts due from associates	79,402	79,402	79,402	79,402
Loans due from subsidiaries	-	-	1,629,748	-
	79,402	352,302	1,709,150	79,402
Current				
Trade receivables – gross	458,429	814,686	9,787	9,787
Less: Provision for impairment of trade receivables	(104,587)	(50,887)	-	-
Trade receivables - net	353,842	763,799	9,787	9,787
Amounts due from subsidiaries – net of provision		-	22,883	10,949
Amounts due from associates	127,688	117,002	127,688	117,002
Amounts due from directors	4,145	4,145	-	-
Amounts due from related parties	25,000			
Payments in advance to suppliers	2,780			
Indirect taxation	-	11,117	-	-
Other receivables	13,216	65,201	-	-
Prepayments	424,519	717,808	50,447	42,550
	951,190	1,679,072	210,805	180,288
Total trade and other receivables	1,030,592	2,031,374	1,919,955	259,690

Movements in impairment provisions for trade receivables are disclosed in Note 22 and are included under 'administrative expenses' in the income statement. The other classes within trade and other receivables do not contain impaired assets except for amount owed by subsidiaries which are stated at net of provision of €210,750 (2019: €nil).

Amounts due from subsidiaries, directors and associates are unsecured, interest free and repayable on demand, except for loans due from subsidiaries which are repayable by 2023.

Included within trade receivables are amounts receivable from hire purchase debtors arising from the sale of goods and services by a subsidiary forming part of the United Group. These receivables are transferred to another subsidiary upon origination, once hire purchase terms are granted, at their face value with right of recourse. Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8.5% (2019: 8.5%).

The Group's and Company's exposure to credit risk and impairment losses to trade and receivables are disclosed in Note 2. The group does not hold any collateral as security.

12. Cash and cash equivalents

For the purposes of the statements of cash flows, the cash and cash equivalents at the end of the year comprise the following:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank and in hand	1,230,795	1,562,377	87	3,853
Bank overdraft (Note 19)	(3,515,089)	(3,251,652)	(2,363,224)	(2,328,572)
	(2,284,294)	(1,689,275)	(2,363,137)	(2,324,719)

13. Share capital

	Group and Company	
	2020	2019
	€	€
Authorised		
1,000,000 ordinary shares of €1 each	1,000,000	1,000,000
Issued and fully paid		
5,749 ordinary A shares of €1 each	5,749	5,749
4,726 ordinary B shares of €1 each	4,726	4,726
4,726 ordinary C shares of €1 each	4,726	4,726
4,726 ordinary D shares of €1 each	4,726	4,726
4,726 ordinary E shares of €1 each	4,726	4,726
	24,653	24,653

14. Revaluation reserve

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
At beginning of year	8,464,531	6,700,126	544,718	-
Increase in fair value of property, plant and equipment, net of deferred tax	-	383,466	-	-
Increase in fair value of investment property net of deferred tax	478,604	1,380,939	(74,758)	544,718
At end of year	8,943,135	8,464,531	469,960	544,718

The revaluation reserve arose following an independent valuation of land and buildings. The balance on this reserve is non-distributable.

The unrealised fair value gains reserve is not available for distribution, consists of unrealised gains representing the difference between the cost and the fair value of investment property net of related deferred taxation.

15. Other reserves

Group

Unrealised fair value gain reserves on:

	2020 €	2019 €
Available-for-sale financial assets		
At beginning of year	61,505	135,184
Net fair value loss (Note 9)	(92,988)	(73,679)
Transfer to retained earnings upon disposal	31,483	-
	-	61,505
At end of year	-	61,505

The unrealised fair value gains reserve is not available for distribution, consists of unrealised gains representing the difference between the cost and the fair value of available-for-sale investments and unrealised gains and losses arising from the re-measurement to fair value of available-for-sale financial assets.

16. Merger reserve

Merger reserves amounting to €32,960, represents the difference between the pre-merger carrying amount of the investment in the merged subsidiaries, and the aggregate book value of the assets and liabilities of United Automobile Limited, United Assets and Management Services Limited and Gatt Estates Limited as at 1 January 2015, the effective date of merger into United Group Limited.

17. Deferred taxation

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2019: 35%), with the exception of deferred taxation on the fair valuation of immovable property which is computed using 8% to 10% (2019: 8% to 10%) of the transfer value.

Group	2020	2019
	€	€
The movement on the deferred tax account is as follows:		
At beginning of year	499,786	342,464
Movement arising on:		
- provision for doubtful receivable	-	3,087
- property, plant and equipment	-	131,344
- fair value gains on investment property	779,093	157,322
- unabsorbed capital allowances	-	(131,897)
- unabsorbed tax losses	(557,710)	(2,534)
At end of year	721,169	499,786

The balance at 31 December represents:

Group	2020	2019
	€	€
Temporary differences on property, plant and equipment	448,562	448,562
Temporary difference on fair value gains	1,503,638	724,545
Temporary difference on provisions	(16,676)	(16,676)
Temporary differences on unabsorbed capital allowances	(578,174)	(578,174)
Temporary difference on unabsorbed tax losses	(636,181)	(78,471)
	721,169	499,786

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

At 31 December 2020 and 2019, the group had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	2020	2019
	€	€
Unabsorbed tax losses	1,964,807	1,964,807
Unabsorbed capital allowances	2,614,103	1,441,525
Unabsorbed capital losses	175,470	175,470
Temporary differences on provisions	53,700	-

These give rise to a deferred tax asset of €1,682,828 (2019: €1,253,631) which has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances and unutilised tax credits are forfeited upon cessation of trade.

17. **Deferred taxation** - continued

Company

The movement of deferred tax account is as follows:

	2020 €	2019 €
At beginning of year	111,327	162,589
Charged to income statement (Note 27)	(74,758)	(51,262)
	36,569	111,327

The balance at 31 December represents:

	2020 €	2019 €
Temporary differences on impairment of debtors	-	-
Temporary differences on trading losses	78,471	78,471
Temporary differences on investment property	-	-
Temporary differences on capital losses	-	-
Temporary differences on capital allowances	101,025	101,025
Temporary difference on fair value gains on investment properties	(126,020)	(51,262)
Temporary differences on fixed assets	(16,907)	(16,907)
	36,569	111,327

At 31 December 2020 and 2019, the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	2020 €	2019 €
Unabsorbed capital allowances	26,672	-
Unabsorbed trading losses	792,980	792,980
Unabsorbed capital losses	175,470	175,470
	995,122	968,930

These give rise to a deferred tax asset of €348,293 (2019: €338,958) which has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances and unutilised tax credits are forfeited upon cessation of trade.

18. Lease liabilities

	2020 €	2019 €
Non-current	2,791,360	3,780,390
Current	966,143	897,929
	3,757,503	4,678,319

Most extension options in property leases have not been included in the lease liability. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c).

The movement in the carrying amount of the lease liabilities is analysed in the following table:

	2020 €	2019 €
Opening net book amount	4,678,319	6,798,249
Payments	(834,081)	(1,166,284)
Interest charges	235,060	268,950
Lease concessions	(321,795)	-
Disposal	-	(1,222,596)
Closing net book amounts	3,757,503	4,678,319

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Group has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted.

19. Borrowings

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Non-current				
Bonds – net of unamortised bond issue costs	8,430,435	8,408,369	-	-
Bank loans	6,002,980	4,403,867	276,993	334,201
Loan payable to subsidiary	-	-	6,280,534	5,098,814
	14,433,415	12,812,236	6,557,527	5,433,015
Current				
Bank overdrafts	3,515,089	3,251,652	2,363,224	2,328,572
Bank loans	562,254	380,747	57,262	56,094
Loan payable to subsidiary	-	-	754,000	-
	4,077,343	3,632,399	3,174,486	2,384,666
Total borrowings	18,510,758	16,444,635	9,732,013	7,817,681

19. Borrowings - continued

The group's bank borrowings are secured by a first general and special hypothec on the Group's property and assets, by pledges on the insurance policies of the group companies and on trade bills.

The Group has issued during 2014 €8,500,000 5.3% bonds redeemable on 7 November 2023. Interest is payable annually in arrears on 6 November. The bonds are presented at net of unamortised issue costs of €69,565 (2019: €91,631).

The Bonds constitute the general, direct, unconditional, unsecured, unsubordinated obligations of the Group, and rank equally without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Group.

The loan payable to subsidiary bears interest at 5.85% and is secured by pledges on the company's assets.

The Group's and Company's banking facilities as at 31 December 2020 amounted to €10,312,634 (2019: €10,831,490), and €2,684,255 (2019: €2,776,289) respectively.

During 2020, the Group successfully applied for a loan through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €1,000,000 repayable within six years from initial drawdown and carries interest of 2.75% plus 3-month EURIBOR. In line with the Malta Development Bank COVID-19 Guarantee Scheme, this loan will benefit from a subsidy of 2.4% for the first two years. As at 31 December 2020, the Group had not yet drawn down these facilities.

Effective interest rates at the reporting period:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Fixed rates				
Loan payable to subsidiary	-	-	5.85	5.85
Debt securities in issue	5.30	5.30	-	-
Floating rates				
Bank overdraft	4.60	4.60	4.60	4.60
Bank loans	3.80	3.80	4.60	4.60

Maturity of long-term borrowings:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Between 2 and 5 years	14,433,415	10,487,170	6,557,527	5,397,146
Over 5 years		2,325,066	-	35,869
	14,433,415	12,812,236	6,557,527	5,433,015

This note provides information about the contracted terms of the Group's and the Company's loans and borrowings. Refer to Note 2 for more information about the Group's and Company's exposure to interest rate and liquidity risk.

20. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Trade payables	336,147	221,242	-	-
Amount owed to associates	2,182,201	1,863,754	-	-
	2,518,168	2,084,996	-	-
Current				
Trade payables	2,374,847	2,530,335	97,709	21,724
Amounts owed to subsidiaries	-	-	485,156	43,972
Amounts owed to associates	763,540	936,959	-	-
Other payables	139,942	340,839	3,958	3,481
Indirect taxes and social security	506,974	581,491	40,076	21,823
Accruals and deferred income	546,373	560,726	38,685	47,096
	4,331,676	4,950,350	665,584	138,096
Total trade and other payables	6,849,844	7,035,346	665,584	138,096

Amounts owed to subsidiaries are unsecured, interest free and are repayable on demand.

Amounts owed to associates are unsecured and bear interest of 5.25% (2019: 5.25%).

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 2.

21. Revenue

All the group's revenue relates to local sales and is analysed by class of business as follows:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Automotive	1,693,102	3,114,668	-	-
Management fees	251,204	254,642	688,921	656,983
Rental Revenue	63,750	-	-	-
Retail	4,551,851	8,817,168	-	-
Rental income	63,750	-	-	-
Catering	96,233	340,998	-	-
	6,656,140	12,527,476	688,921	656,983

22. Expenses by nature

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Purchases of goods and property development costs	2,908,857	5,464,001	-	-
Employee benefit expenses (Note 23)	1,431,580	2,508,792	232,597	216,001
Directors remuneration (Note 29)	387,402	389,870	349,467	350,736
Impairment loss		-	449,294	519,378
Depreciation of property, plant and equipment (Note 4)	1,069,183	1,134,257	39,504	36,640
Depreciation of right-of-use assets (Note 5)	1,036,843	1,027,010	-	-
Movement in provision for impairment of receivables (Note 11)	53,700	39,266	210,750	-
Computer and IT costs	89,264	82,578	27,796	35,066
Insurances and licences	471,337	492,282	29,412	25,813
Motor vehicle expenses	111,320	177,216	8,514	10,452
Professional fees	79,138	46,330	34,432	22,564
Advertising and sales promotion	126,259	263,950	-	-
Operating lease rental charges and service fees	205,615	233,486	35,218	33,569
Royalties	205,735	390,551	-	-
Exchange differences	(85,246)	(182,637)	-	-
Other expenses	450,146	1,248,632	25,475	81,819
Total cost of sales, selling and other direct expenses and administrative expenses	8,541,133	13,315,584	1,442,459	1,332,038

Auditor's fees

Fees charged by the audit firm for services rendered during the financial periods ended 31 December 2020 and 2019 relate to the following:

	Group		Company	
	2020	2019	2019	2019
	€	€	€	€
Annual statutory audit	36,000	35,100	9,200	9,150
Tax advisory and compliance services	8,350	3,625	750	1,150
Other non-audit services	38,900	26,681	11,500	19,656
	83,250	65,406	21,450	29,956

Note that the above fees include an amount of €Nil (2019: €19,656 non-audit services charged by connected undertaking(s) of the audit firm.

23. Employee benefit expenses

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries	1,294,784	2,330,965	209,700	201,668
Social security costs	136,796	177,827	22,897	14,333
	1,431,580	2,508,792	232,597	216,001

Wages and salaries are presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €526,629 (2019: €Nil). Grants related to income are presented as a deduction in reporting the related expenses.

The average number of full time equivalent persons employed during the year:

	Group		Company	
	2020	2019	2020	2019
Automotive	23	37	-	-
Management	13	13	13	13
Retail	58	41	-	-
Catering	6	13	-	-
	100	104	13	13

24. Other income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Increase in fair value of investment property (note 6)	1,257,697	1,504,917	-	595,981
(Loss)/ profit on disposal of property, plant and equipment	43,141	(71,017)	-	-
Profit on disposal of property held for resale	-	183,539	-	183,539
Rental income	390,188	391,651	49,296	22,636
Other income	93,506	10,789	69,211	2,942
	1,784,532	2,019,879	118,507	805,098

25. Investment income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Dividend income from associates and subsidiaries	-	-	-	168,462
Dividends and interest income from available-for-sale financial assets	90	3,457	-	-
	90	3,457	-	168,462

26. Finance income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Bills of exchange	43	415	-	-

27. Finance costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Bank overdraft	157,668	150,237	110,385	113,028
Bank loan	354,293	174,010	7,368	8,464
Debt securities	451,181	450,500	-	-
Interest charges on lease liabilities	235,060	268,950	-	-
Loan payable to subsidiary		-	323,299	264,609
Finance cost capitalised to investment property	(224,821)	(110,616)	-	-
Hire purchases interest	150,747	155,015	-	-
Other finance charges	16,351	149,317	697	1,260
	1,120,469	1,237,413	441,749	387,361

28. Tax charge/(credit)

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current tax (credit)/charge	(121,361)	(36,109)	(122,472)	(3,715)
Deferred tax charge (Note 17)	221,383	123,977	74,758	51,262
Tax charge/(credit)	100,022	87,868	(47,714)	47,547

28. Tax charge/(credit) - continued

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Profit/(loss) before tax	(1,168,721)	900,323	(1,076,780)	(88,856)
Tax at 35%	(409,052)	315,113	(376,873)	(31,100)
Tax effect of :				
Income subject to different tax rates	5	(315,733)	-	-
Non-deductible expenses	27,791	76,190	161,546	-
Capital gains subject to final withholding tax		(64,239)	-	(64,239)
Income not recognised for tax purposes	(1,236)	-	-	-
Temporary differences not recognised	413,999	580,437	87,589	351,479
Maintenance allowance on immovable property	(26,328)	-	-	-
Difference attributable to tax rules applicable to immovable property	(147,739)	(357,952)	-	(208,593)
Unrecognised deferred tax in prior year	368,014	(104,744)	74,758	-
Group loss relief surrendered to subsidiaries	-	-	131,804	-
Over provision for tax in prior year	(125,432)	(41,204)	(126,538)	-
Tax (credit)/charge	100,022	87,868	(47,714)	47,547

29. Directors' emoluments

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Directors' remuneration	313,343	307,456	313,343	307,456
Directors' fees	62,831	62,414	24,896	23,280
Directors' reimbursement	11,228	20,000	11,228	20,000
	387,402	389,870	349,467	350,736

30. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations:

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Operating profit/(loss)	(100,461)	1,231,771	(635,031)	130,043
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	1,069,183	1,134,257	39,504	36,640
Amortisation of right-of-use assets (Note 5)	1,036,843	1,027,010	-	-
Lease concessions (Note 18)	(321,795)	-	-	-
Loss / (Gain) on disposal of property, plant and equipment	(43,141)	72,537	-	-
Movement in provision on receivables	53,700	39,266	-	-
Amounts due from subsidiary written-off		-	210,750	519,378
Impairment of investment in subsidiaries		-	449,294	-
Fair value gain on revaluation of investment property	(1,257,697)	(1,504,917)	-	(595,980)
Changes in working capital:				
Inventories	572,977	327,787	-	201,211
Trade and other receivables	947,082	82,364	(1,871,015)	964,048
Trade and other payables	(185,502)	891,534	527,488	(1,165,806)
Cash generated from/(used in) operations	1,771,189	3,301,609	(1,279,010)	88,921

31. Contingencies

The undertakings forming part of the United Group have given general and special hypothecary guarantees to secure the banking facilities of the other group undertakings.

As at 31 December 2020 and 2019, the Group had guarantees for a maximum amount of €9,287,000 (2019: €9,187,000) used by a group company, in favour of its bankers for facilities provided to the Group.

32. Events after the reporting period

As part of the business review plan described in further detail in note 1.1, subsequent to year-end the directors have agreed to discontinue the retail operations during Q2 of 2021.

33. Related party transactions

The company forms part of the United Group of companies. All companies forming part of the United Group are related parties since these companies are all ultimately commonly owned by United Group Limited which is considered by the directors to be the ultimate controlling party. Trading transactions between these companies, associates and jointly-controlled entities include items which are normally encountered in a group context. The group is ultimately fully owned by members of the Gatt Baldacchino family, who are therefore considered to be related parties.

The following significant transactions were carried out by the group and company with related parties:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Management fees receivable from associates	300,500	279,000	300,500	278,999
Management fees receivable from subsidiaries	-	-	272,396	337,983
Rental income from subsidiaries	-	-	49,296	22,636
Interest payable to subsidiaries	-	-	323,299	264,609
Interest payable to associates	79,072	135,869	-	-
Purchases of property, plant and equipment from associates	452,322	1,273,253	-	-

Year end balances with related parties, arising principally from transactions referred to previously, are disclosed in Notes 11, 19 and 20 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 29.

34. Statutory information

United Group Limited is a limited liability company and is incorporated in Malta.

