UNITED GROUP LIMITED

Annual Report and Consolidated Financial Statements
31 December 2022

Company Registration Number: C 10233

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 2022.

Principal activities

The parent company's principal activity, is to provide management services to its subsidiary undertakings. United Group Limited is the parent company and during this reporting period, together with its subsidiaries, was involved in car rental and leasing, retail, letting and development of property. Included within the Group is another company which acts as a finance company for the Group. 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

Revenue for the Group generated from the Group's automotive operations amounted to €3.27 million (2021: €2.33 million), whilst rental income generated €1.13 million (2021: €0.84 million). The Group's other income mainly comprises management fees receivable from associates & joint venture operations and from retail operations owned by a subsidiary company. Financial costs comprise interest payable on the outstanding bond issue and amortisation of the issue costs thereof amounting to €1.2 million (2021: €1.0 million) and interests payable on financing facilities provided by local financial institutions.

The Group's net profit in 2022 was €0.47 million (2021: €3.24 million). The difference is mainly attributed to the fair value increase in investment property that was executed during the previous year (2021: €3,363,675). The Group's various investments have also delivered significant value allowing the Group to receive significant share of results amounting to €0.5 million in 2022 (2021: €0.3 million).

The directors are confident that the core operating activities of the Group will continue to improve and that the Group's investments will also continue to contribute to the Group's financial performance in the foreseeable future.

Financial Position

The Group's total assets as at end 2022 increased to €39.6 million, resulting in an increase in the Group's asset base of €1.6 million. This increase is primarily brought about by improvements to its investment property of €0.4 million, increase to its investment in associates, as well as increases in cash balance of €1 million. These increases are offset by a decrease in its trade and other receivables of €0.4 million.

The total liabilities of the Group at year-end amounted to €29.2 million (2021: €28.1 million). Liabilities mainly comprise the €8.5 million 5.3% 2023 Bond Issue and other local bank borrowings amounting to €12.2 million, representing an increase of €1.6 million, primarily drawn to finance working capital.

As at 31 December 2022, the Group and Company had a net current liability position of €12,165,052 and €8,039,273 respectively (2021: €10,339,650 and €4,038,850 respectively). As disclosed in Note 17 - Borrowings, as at 31 December 2022, The Group had bank facilities not yet drawn-down amounting to €8,100,000, which the Group will be availing of to refinance borrowing commitments falling due within the next 12 months.

Directors' report - continued

Financial Position - continued

Furthermore, Management and the Board of Directors of the Group and Company have prepared detailed base case projections for profitability and cashflows extending beyond the 12 months from the date of reporting of these financial statements. The Group and Company's profitability and cashflow projections indicate that enough resources are available to cover their commitments, including the bond coupon for the next 12 months and to continue operating as a going-concern.

Financial risk management

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

Global Economic Scenario

The majority of United Group's operations have been slightly affected by the increase in inflation and also the rising interest rates. High inflation rates can lead to an increase in costs, resulting in a reduction to operating profit. In addition, high inflation rates can lead to higher interest rates, which can increase the cost of borrowing. United Group has renegotiated interest rates and is closely monitoring its costs to keep them as low as possible. The aim is to ensure that the Company remains profitable and financially stable, despite the challenging economic conditions.

Future development and events after the reporting date

The Board of Directors intend to continue operating in line with the current business plan, which also incudes continuously assessing the performance of its subsidiaries and investments to ensure the long-term viability of the Group.

Directors' report - continued

Results and dividends

The statements of comprehensive income are set out on page 12. 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 (resigned on 1 May 2023. Mr Joseph FX Zahra was appointed in her stead on 24 May 2023)
Mr Edmund Gatt Baldacchino
Mr Simon Gatt Baldacchino
Ms Josian Tonna
Ms Dolores Gatt Baldacchino
Ms Helga Ellul (resigned on 25 January 2023)
Mr Joseph FX Zahra
Mr. Kevin Rapinet (appointed on 1 February 2023)

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

Mr Edmund Gatt Baldacchino
Director

Mr Simon Gatt Baldacchino
Director

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

9 June 2023

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 2022, 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 59, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2022;
- the Consolidated and Parent Company 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

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.
- 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 2022* 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 *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 4) 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.	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. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. 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.	In our opinion: • 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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - continued

To the Shareholders of United Group Limited

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • 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.	We have nothing to report to you in respect of these responsibilities.

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

9 June 2023

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2022**	2021	**2022**	2021
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**4,755,609**	4,649,282	**313,355**	365,050
Right-of-use assets	5	**598,149**	588,758	**-**	-
Investment properties	6	**21,939,883**	21,524,831	**220,200**	1,520,200
Investments in subsidiaries	7	**-**	-	**4,016,227**	4,015,027
Investments in associates and jointly-controlled entities	8	**8,008,853**	7,547,558	**2,888,024**	2,888,023
Trade and other receivables	10	**285,652**	54,402	**228,657**	1,959,926
Deferred tax assets	15	**932,468**	932,468	**162,589**	162,589
Total non-current assets		**36,520,614**	35,297,299	**7,829,052**	10,910,815
Current assets					
Inventories	9	**122,939**	130,085	**20,000**	-
Trade and other receivables	10	**1,189,104**	1,794,848	**442,113**	410,402
Cash and cash equivalents	11	**1,744,138**	770,337	**3,937**	87
Total current assets		**3,056,181**	2,695,270	**466,050**	410,489
Total assets		**39,576,795**	37,992,569	**8,295,102**	11,321,304

Statements of financial position - continued

	Notes	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**24,653**	24,653	**24,653**	24,653
Merger reserve	14	**-**	-	**32,960**	32,960
Retained earnings/(accumulated losses)		**10,359,851**	9,891,541	**(1,044,862)**	(778,098)
Total equity		**10,384,504**	9,916,194	**(987,249)**	(720,485)
Non-current liabilities					
Deferred tax liabilities	15	**1,821,337**	1,821,337	**22,020**	126,020
Lease liabilities	16	**391,640**	467,183	**-**	-
Borrowings	17	**9,364,502**	10,234,711	**755,008**	7,466,430
Trade and other payables	18	**2,393,579**	2,518,223	**-**	-
Total non-current liabilities		**13,971,058**	15,041,454	**777,028**	7,592,450
Current liabilities					
Lease liabilities	16	**253,142**	150,301	**-**	-
Borrowings	17	**11,326,256**	8,821,235	**7,209,245**	3,194,420
Trade and other payables	18	**3,641,835**	4,063,384	**1,282,616**	1,241,457
Current tax liabilities		**-**	-	**13,462**	13,462
Total current liabilities		**15,221,233**	13,034,920	**8,505,323**	4,449,339
Total liabilities		**29,192,291**	28,076,374	**9,282,351**	12,041,789
Total equity and liabilities		**39,576,795**	37,992,568	**8,295,102**	11,321,304

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

The financial statements on pages 10 to 59 were authorised for issue by the board of directors on 9 June 2023 and were signed on its behalf by:

Mr Edmund Gatt Baldacchino
Director

Mr Simon Gatt Baldacchino
Director

Statements of comprehensive income

	Notes	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
		Year ended 31 December			
Revenue	19	**5,114,822**	5,120,770	**861,893**	432,889
Cost of sales	20	**(3,044,357)**	(3,545,614)	**(568,837)**	(553,209)
Gross profit/(loss)		**2,070,465**	1,575,156	**293,056**	(120,320)
Selling and other direct expenses	20	**(317,564)**	(713,025)	**-**	-
Administrative expenses	20	**(815,591)**	(814,245)	**(311,695)**	(280,246)
Other income/(loss)	22	**292,141**	4,041,556	**4,990**	(48,991)
Operating profit/(loss)		**1,229,451**	4,089,442	**(13,649)**	(449,557)
Share of results of associates and jointly-controlled entities	8	**461,295**	349,897	**-**	-
Finance income	23	**6,752**	28,090	**-**	-
Finance costs	24	**(1,229,188)**	(1,059,686)	**(357,115)**	(439,282)
Profit/(loss) for the year before tax		**468,310**	3,407,743	**(370,764)**	(888,839)
Tax (charge)/credit	25	**-**	(167,699)	**104,000**	-
Total comprehensive profit/(loss) for the year		**468,310**	3,240,044	**(266,764)**	(888,839)

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Share capital €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2021	24,653	-	6,651,497	6,676,150
Comprehensive income				
Profit for the financial year	-	-	3,240,044	3,240,044
Balance at 31 December 2021	**24,653**	**-**	**9,891,541**	**9,916,194**
Balance at 1 January 2022	24,653	-	9,891,541	9,916,194
Comprehensive income				
Profit for the financial year	-	-	468,310	468,310
Balance at 31 December 2022	**24,653**	**-**	**10,359,851**	**10,384,504**

Included in retained earnings are unrealised profits relating to fair value gains of investment property amounting to € 11,989,112 (2021: €11,989,112) which are not available for distribution (Note 13).

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company

	Share capital	Other reserve	Retained earnings/ (accumulated losses)	Total
	€	€	€	€
Balance at 1 January 2021	24,653	32,960	110,741	168,354
Comprehensive income				
Loss for the financial year – total comprehensive income	-	-	(888,839)	(888,839)
Balance at 31 December 2021	**24,653**	**32,960**	**(778,098)**	**(720,485)**
Balance at 1 January 2022	24,653	32,960	(778,098)	(720,485)
Comprehensive income				
Loss for the financial year – total comprehensive income	-	-	(266,764)	(266,764)
Balance at 31 December 2022	**24,653**	**32,960**	**(1,044,862)**	**(987,249)**

Included in retained earnings are unrealised profits relating to fair value gains of investment property amounting to €157,150 (2021: €469,960) which are not available for distribution (Note 13).

The notes on pages 16 to 59 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	2022	2021	2022	2021
		€	€	€	€
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**1,834,625**	976,140	**1,772,739**	(298,949)
Interest received and investment income	23	**6,752**	28,090	**-**	-
Interest paid	24	**(1,229,188)**	(1,059,686)	**(357,115)**	(439,282)
Net income tax refund		**-**	-	**-**	13,462
Net cash generated from/(used in) operating activities		**612,189**	(55,456)	**1,415,624**	(724,769)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(1,252,384)**	(1,347,907)	**(22,978)**	(223,068)
Proceeds from disposal of property, plant and equipment	4	**531,312**	1,177,055	**9,001**	19,000
Improvements to investment property	6	**(415,052)**	(670,498)	**-**	-
Investment in subsidiary	7	**-**	-	**(1,200)**	-
Proceeds from disposal of investment property	6	**-**	-	**1,300,000**	-
Net cash (used in)/generated from investing activities		**(1,136,124)**	(841,350)	**1,284,823**	(204,068)
Cash flows from financing activities					
Movement in borrowings	17	**1,884,265**	1,682,897	**(2,446,998)**	915,241
Principal elements of lease payments	16	**(137,076)**	(108,844)	**-**	-
Net cash generated from/(used in) financing activities		**1,747,189**	1,574,053	**(2,446,998)**	915,241
Net movement in cash and cash equivalents		**1,223,254**	677,247	**253,449**	(13,596)
Cash and cash equivalents at beginning of year		**(1,607,045)**	(2,284,294)	**(2,376,733)**	(2,363,137)
Cash and cash equivalents at end of year	11	**(383,791)**	(1,607,047)	**(2,123,284)**	(2,376,733)

The notes on pages 16 to 59 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).

Going concern

As at 31 December 2022, the Group and Company had a net current liability position of €12,165,052 and €8,039,273 respectively (2021: €10,339,650 and €4,038,850 respectively). As disclosed in Note 17 - Borrowings, as at 31 December 2022, the Group had bank facilities not yet drawn-down amounting to €8,100,000, which the Group will be availing of to refinance borrowing commitments falling due within the next 12 months.

Furthermore, Management and the Board of Directors of the Group and Company have prepared detailed base case projections for profitability and cashflows extending beyond the 12 months from the date of reporting of these financial statements. The Group and Company's profitability and cashflow projections indicate that enough resources are available to cover their commitments, including the bond coupon for the next 12 months and to continue operating as a going-concern.

Standards, interpretations and amendments to published standards effective in 2022

In 2022, there were no amendments to existing standards that were mandatory for the Group and Company to be adopted for the accounting period beginning on 1 January 2022.

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

Certain amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group and Company's accounting periods beginning after 1 January 2022. The Group and Company have 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 Group and Company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

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.

(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. Summary of significant accounting policies - continued

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'.

1.4 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:

	%
Improvement to premises	1
Plant and machinery	10 - 25
Furniture, fittings and office equipment	$7\frac{1}{2}$ - $33\frac{1}{3}$
Motor vehicles	20

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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.

1.5 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 respective entity's functional currency, which would be considered a foreign currency. The Group's revenues, purchases and operating expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, and therefore foreign exchange risk is not considered significant.

(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 10, 16, 17 and 18 incorporate interest rate risk and maturity information with respect to the group's assets and liabilities.

The group is not exposed to fair-value 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, repayable in 2023, and hence the carrying amount is a close approximation of its fair value.

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.

2. Financial risk management - 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	**2022 Unrated €**	2021 Unrated €
Trade and other receivables	10	**1,150,501**	1,485,018
Cash and cash equivalents	11	**1,744,138**	770,337
		2,894,639	2,255,355

Company

	Notes	**2022 Unrated €**	2021 Unrated €
Trade and other receivables	10	**652,316**	2,344,479
Cash and cash equivalents	11	**3,937**	87
		656,253	2,344,566

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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.

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.

The Group monitors 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 is thoroughly and regularly assessed to determine whether any deterioration in collection rates is 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 2022, trade receivables for the Group amounting to €138,590 (2021: €146,573) 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.

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(b) Credit risk - continued

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 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, no impairment charges were required for Company as at 31 December 2022 and 2021.

(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 16, 17 and 18). 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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 fifteen years €
31 December 2022						
Lease liabilities	644,782	773,763	-	219,392	211,360	345,011
Borrowings (Note 17)	12,212,533	16,866,819	2,127,929	1,438,169	1,226,200	12,074,521
Unsecured bond 2023	8,478,225	8,950,500	-	8,950,500	-	-
Trade and other payables (Note18)	6,075,355	6,370,439	2,372,834	1,635,061	1,103,315	1,259,229
	27,410,895	**32,961,521**	**4,500,763**	**12,243,122**	**2,540,875**	**13,678,761**
31 December 2021						
Lease liabilities	617,484	763,083	-	150,010	191,058	422,015
Borrowings (Note 17)	10,602,269	10,913,963	2,377,382	6,837,371	1,177,493	521,717
Unsecured bond 2023	8,453,677	9,401,000	-	450,500	8,950,500	-
Trade and other payables (Note 18)	6,581,607	6,865,898	3,780,894	1,091,133	851,580	1,142,291
	26,255,037	**27,943,944**	**6,158,276**	**8,529,014**	**11,170,631**	**2,086,023**

Company	Carrying amount €	Contractual cash flows €	On demand €	Within one year €	One to two years €	Two to five years €
31 December 2022						
Borrowings (Note 17)	7,964,253	8,387,983	2,127,221	5,450,964	80,025	729,773
Trade and other payables (Note 18)	1,282,616	1,282,616	1,282,616	-	-	-
	9,246,869	**9,670,599**	**3,409,837**	**5,450,964**	**80,025**	**729,773**
31 December 2021						
Borrowings (Note 17)	10,660,850	11,203,898	2,376,820	1,101,067	6,979,814	746,198
Trade and other payables (Note 18)	1,241,457	1,241,457	1,241,457	-	-	-
	11,902,307	**12,445,355**	**3,618,277**	**1,101,067**	**6,979,814**	**746,198**

2. Financial risk management - continued

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 2022 and 2021 were as follows:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Total borrowings (Note 17)	**20,690,758**	19,055,946	**7,964,253**	10,660,850
Total lease liabilities (Note 16)	**644,782**	617,484	**-**	-
Less: Cash at bank (Note 11)	**(1,744,138)**	(770,337)	**(3,937)**	(87)
Net borrowings	**19,591,402**	18,903,093	**7,960,316**	10,660,763
Total equity	**10,384,504**	9,916,194	**(987,249)**	(720,485)
Total capital	**29,975,906**	28,819,287	**6,973,067**	9,940,278
Gearing	**65%**	66%	**114%**	107%

2. Financial risk management - continued

2.3 Fair values of financial instruments

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).

At 31 December 2022 and 2021 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.

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, aside from the valuation of investment properties (Note 6), 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

Group	Improvements to premises €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Total €
At 1 January 2021					
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
Year ended 31 December 2021					
Opening net book amount	303,882	202,529	537,371	3,961,858	5,005,640
Additions	2,066	424	153,465	1,191,952	1,347,907
Disposals	(745,630)	(1,291,343)	(1,535,798)	(689,593)	(4,262,364)
Depreciation charge	(52,334)	(25,265)	(96,567)	(844,913)	(1,019,079)
Depreciation released on disposals	655,725	1,145,397	1,372,061	403,995	3,577,178
Closing net book amount	**163,709**	**31,742**	**430,532**	**4,023,299**	**4,649,282**
At 31 December 2021					
Cost or valuation	298,063	587,221	904,253	5,646,759	7,436,296
Accumulated depreciation	(134,354)	(555,479)	(473,721)	(1,623,460)	(2,787,014)
Net book amount	**163,709**	**31,742**	**430,532**	**4,023,299**	**4,649,282**

4. Property, plant and equipment - continued

	Improvements to premises €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Total €
Group					
Year ended 31 December 2022					
Opening net book amount	163,709	31,742	430,532	4,023,299	4,649,282
Additions	8,346	-	287	1,243,751	1,252,384
Disposals	-	-	-	(1,132,367)	(1,132,367)
Depreciation charge	(26,731)	(27,473)	(65,591)	(685,167)	(804,962)
Depreciation released on disposals	-	-		791,272	791,272
Closing net book amount	**145,324**	**4,269**	**365,228**	**4,240,788**	**4,755,609**
At 31 December 2022					
Cost or valuation	306,409	587,221	904,540	5,758,143	7,556,313
Accumulated depreciation	(161,085)	(582,952)	(539,312)	(1,517,355)	(2,800,704)
Net book amount	**145,324**	**4,269**	**365,228**	**4,240,788**	**4,755,609**

4. **Property, plant and equipment** - continued

Bank borrowings are secured by the group's property, plant and equipment (Note 17).

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

	2022	2021
	€	€
Cost	**3,130,715**	2,476,185
Accumulated depreciation	**(1,320,733)**	(851,424)
Net book amount	**1,809,982**	1,624,761

Company	Office equipment €	Motor Vehicles €	Furniture and fittings €	Plant and machinery €	Total €
Year ended 31 December 2021					
Opening net book amount	25,662	37,723	71,380	51,325	186,090
Additions	2,557	83,095	107,852	29,564	223,068
Disposals	-	(31,636)	-	-	(31,636)
Depreciation charge	(4,203)	(8,184)	(8,019)	(14,000)	(34,406)
Depreciation released on disposals	-	21,934	-	-	21,934
Closing net book amount	**24,016**	**102,932**	**171,213**	**66,889**	**365,050**
At 31 December 2021					
Cost	75,885	113,987	192,722	105,389	487,983
Accumulated depreciation	(51,869)	(11,055)	(21,509)	(38,500)	(122,933)
Net book amount	**24,016**	**102,932**	**171,213**	**66,889**	**365,050**
Year ended 31 December 2022					
Opening net book amount	24,016	102,932	171,213	66,889	365,050
Additions	-	22,978	-	-	22,978
Disposals	-	(51,558)	-	-	(51,558)
Depreciation charge	(1,757)	(21,103)	(13,155)	(27,473)	(63,488)
Depreciation released on disposals	-	40,373	-	-	40,373
Closing net book amount	**22,259**	**93,622**	**158,058**	**39,416**	**313,355**
At 31 December 2022					
Cost	75,885	85,407	192,722	105,389	459,403
Accumulated depreciation	(53,626)	8,215	(34,664)	(65,973)	(146,048)
Net book amount	**22,259**	**93,622**	**158,058**	**39,416**	**313,355**

5. Right-of-use assets

Group	2022 €	2021 €
Year ended 31 December		
Opening net book amount	**588,758**	3,511,800
Additions	**164,374**	534,087
Amortisation charge	**(154,983)**	(132,154)
Disposals	**-**	(3,324,975)
Closing net book amount	**598,149**	588,758

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

	Group 2022 €	Group 2021 €
Depreciation charge of right-of-use assets	**154,983**	132,154
Interest expense (included in finance cost)	**39,093**	36,316
Lease premium – net of other miscellaneous costs (Note 22)	**-**	186,010

6. Investment properties

Group	Total €
Year ended 31 December 2021	
Opening net book amount	17,490,659
Acquisition/improvements made during the year	670,497
Increase in fair value	3,363,675
	21,524,831
Year ended 31 December 2022	
Opening net book amount	21,524,831
Acquisition/improvements made during the year	415,052
	21,939,883

6. Investment properties - continued

Company	**2022** €	2021 €
Year ended 31 December		
Opening net book amount	**1,520,200**	1,520,200
Disposals	**(1,300,000)**	-
	220,200	1,520,200

Company	**2021** €	2020 €
Year ended 31 December		
Cost	**41,030**	891,259
Fair value gains	**179,170**	628,941
	220,200	1,520,200

Fair valuation of investment properties

During the prior financial year ended 31 December 2021, the directors commissioned an independent firm of architects to carry out a market valuation on a number of the Group's properties classified as investment property as at that date, by considering the aggregate of the estimated cash flows expected to be received from renting out the properties over a defined period. The directors have approved the valuations and used them as a basis in determining the fair value of the Group's investment properties at 31 December 2021 and 31 December 2022.

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).

The Group's properties comprise a residential property, office blocks and retail space leased out to third parties and a catering outlet leased out to third parties. All the recurring properties' fair value measurements at 31 December 2022 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

6. **Investment properties** - continued

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 2022.

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 office and retail properties have been performed using projected rental streams. The significant inputs considered for this approach includes contracted and projected rental streams and a discount rate which considers risk-free rates and specific risk premium rates and non-refundable management costs and projected capital expenditure.

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 2022 €	Valuation technique	Significant unobservable input	Range of Unobservable inputs
Current use as office premises	20,400,000	Discounted cashflows - rental streams approach	Rental streams	Rental value p.a. of €1,130K and applying discount rates of 8.2%*
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 higher the discount rate and lower the rental value, the lower the fair value.

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:

	2022 €	2021 €
Less than one year	**955,822**	718,204
Between one and five years	**1,104,484**	1,098,147
	2,060,306	1,816,351

During the year ended 31 December 2022, €1,125,052 (2021: €840,769) was recognised as rent receivable in profit or loss in respect of operating leases.

At 31 December 2022 and 2021, the properties were secured in favour of banking facilities availed of by the Group.

7. Investments in subsidiaries

Company	**2022**	2021
	€	€
At 1 January		
Cost	**4,015,027**	4,015,027
Additional investment	**1,200**	-
Closing net book amount	**4,016,227**	4,015,027

The subsidiaries at 31 December 2022 and 2021, are shown below:

	Registered Office	**Class of shares held**	**Percentage of shares held 2022**	**2021**
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%
United Developments Limited	Pinto Business Centre Level 4, Mill Street, Qormi, QRM 3104, Malta	Ordinary shares	**100%**	-

8. Investments in associates and jointly-controlled entities

Group	2022 €	2021 €
Year ended 31 December		
Opening net book amount	**7,547,558**	7,197,660
Share of associates' and jointly-controlled entities' results	**461,295**	349,898
Closing net book amount	**8,008,853**	7,547,558
At 31 December		
Cost	**2,868,028**	2,868,028
Accumulated share of associates' and jointly-controlled entities' results and movement in reserves	**5,140,825**	4,679,530
Net book amount	**8,008,853**	7,547,558

Company	€
Year ended 31 December 2021 and 2022	
Opening and closing net book amount	**2,888,024**

The jointly-controlled and associated entities at 31 December 2022 and 2021 all of which are unlisted are shown below:

	Registered office	Class of shares held	Percentage of shares held 2022	Percentage of shares held 2021
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%

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

Summarised financial information of the significant associates as at 31 December is as follows:

	Pender Ville	Motors Inc.	Total
	€	€	€
Year ended 31 December 2021			
Non-current assets	40,795,308	3,576,975	44,372,283
Current assets	23,489,468	11,806,795	35,296,263
Non-current liabilities	(2,733,955)	-	(2,733,955)
Current liabilities	(28,768,641)	(13,499,575)	(42,268,216)
Net Assets	**32,782,180**	**1,884,195**	**34,666,375**
Revenue	11,739,912	30,172,841	41,912,753
Profit for the year, representing total comprehensive income	**1,025,314**	**251,875**	**1,277,189**
Reconciliation to carrying amounts:			
Opening net assets of investee on 1 January	31,756,866	1,632,320	33,389,186
Profit for the year	1,025,314	251,875	1,277,189
Closing net assets on 31 December	**32,782,180**	**1,884,195**	**34,666,375**
Group's share in %	19.23%	33.33%	
Group's share of closing net assets	6,304,013	628,002	6,932,015
Goodwill	-	566,667	566,667
Carrying value of investment in associates	**6,304,013**	**1,194,669**	**7,498,682**

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

	Pender Ville €	Motors Inc. €	Total €
Year ended 31 December 2022			
Closing net assets on 31 December	**34,351,514**	**2,509,169**	**36,860,683**
Group's share in %	19.23%	33.33%	
Group's share of closing net assets	6,605,796	836,306	7,442,102
Goodwill	-	566,667	566,667
Carrying value of investment in associates	**6,605,796**	**1,402,973**	**8,008,769**

9. Inventories

	Group		Company	
	2022 **€**	2021 €	**2022** **€**	2021 €
Property held for sale	**20,000**	-	**20,000**	-
Goods held for resale	**102,939**	130,085	**-**	-
	122,939	130,085	**20,000**	-

10. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current				
Loans and other amounts due from associates	**54,402**	54,402	**54,402**	54,402
Loans due from subsidiaries	**-**	-	**174,255**	1,905,524
Other receivables	**231,250**	-	**-**	-
	285,652	54,402	**228,657**	1,959,926
Current				
Trade receivables – gross	**778,098**	1,140,460	**3,400**	16,398
Less: Provision for impairment of trade receivables	**(138,590)**	(146,573)	**(874)**	(874)
Trade receivables - net	**639,508**	993,887	**2,526**	15,524
Amounts due from subsidiaries – net of provision	**-**	-	**411,199**	135,759
Amounts due from associates	**9,934**	233,270	**9,934**	233,270
Other receivables	**215,407**	203,459	**-**	-
Prepayments	**324,255**	364,232	**18,454**	25,849
	1,189,104	1,794,848	**442,113**	410,402
Total trade and other receivables	**1,474,756**	1,849,250	**670,770**	2,370,328

Movements in impairment provisions for trade receivables are disclosed in Note 20 and are included under 'administrative expenses' in the income statement. The other classes within trade and other receivables do not contain impaired assets.

Amounts due from subsidiaries and associates are unsecured, interest free and repayable on demand, except for loans due from subsidiaries and associates which are repayable by 2024.

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.

11. 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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Cash at bank and in hand	**1,744,138**	770,337	**3,937**	87
Bank overdraft (Note 17)	**(2,127,929)**	(2,377,382)	**(2,127,221)**	(2,376,820)
	(383,791)	(1,607,045)	**(2,123,284)**	(2,376,733)

12. Share capital

	Group and Company	
	2022	2021
	€	€
Authorised		
1,000,000 ordinary shares of €1 each	**1,000,000**	1,000,000
Issued and fully paid		
22,996 ordinary A shares of €0.25 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

13. Unrealised fair value gains

The unrealised fair value gains included in retained earnings are not available for distribution and consists of unrealised gains representing the difference between the cost and the fair value of investment properties net of related deferred taxation. The unrealised fair value gains arose following an independent valuation of land and buildings.

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
At beginning of year	**11,989,112**	8,943,135	**469,960**	469,960
Increase in fair value of investment property net of deferred tax	**-**	3,045,977	**-**	-
Realisation of fair value gains upon disposal of property, net of deferred tax	**-**	-	**(312,810)**	-
At end of year	**11,989,112**	11,989,112	**157,150**	469,960

14. Merger reserve

Merger reserves of the Company 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.

15. 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% (2021: 35%), with the exception of deferred taxation on the fair valuation of immovable property which is computed using 8% to 10% (2021: 8% to 10%) of the transfer value.

The balance at 31 December represents:

Group	**2022**	2021
	€	€
Deferrred tax assets		
Temporary differences on unabsorbed capital allowances	**1,018,700**	881,215
Temporary differences on property, plant and equipment	**(577,834)**	(527,187)
Temporary difference on unabsorbed tax losses	**491,602**	578,440
Deferred tax liabilities		
Temporary difference on fair value gains	**(1,821,337)**	(1,821,337)
Net deferred tax liabilities	**(888,869)**	(888,869)

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

15. Deferred taxation - continued

At 31 December 2022 and 2021, the group had unrecognised deferred tax assets arising from:

	2022	2021
	€	€
Unabsorbed tax losses	**3,346,709**	2,521,991
Unabsorbed capital allowances	**1,613,204**	1,908,303
Unabsorbed capital losses	**-**	175,470
Temporary differences on provisions	**136,214**	144,197

These give rise to a deferred tax asset of €1,780,947 (2021: €1,682,828) 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.

Company

The movement of deferred tax account is as follows:

	2022	2021
	€	€
At beginning of year	**36,569**	36,569
Charged to income statement (Note 25)	**104,000**	-
	140,569	36,569

The balance at 31 December represents:

	2022	2021
	€	€
Deferred tax assets		
Temporary differences on trading losses	**33,058**	20,731
Temporary differences on capital allowances	**142,185**	126,181
Temporary differences on fixed assets	**(12,654)**	15,677
Deferred tax liabililities		
Temporary difference on fair value gains on investment properties	**(22,020)**	(126,020)
Net deferred tax assets	**140,569**	36,569

At 31 December 2022 and 2021, the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	2022	2021
	€	€
Unabsorbed trading losses	**1,219,809**	1,576,065

These give rise to a deferred tax asset of €426,933 (2021: €551,623) 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.

16. Lease liabilities

	2022	2021
	€	€
Non-current	**391,640**	467,183
Current	**253,142**	150,301
	644,782	617,484

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:

	2022	2021
	€	€
Opening net book amounts	**617,484**	3,757,503
Payments	**(176,169)**	(145,160)
Additions	**164,374**	534,087
Interest charges	**39,093**	36,316
Disposal	**-**	(3,565,262)
Closing net book amounts	**644,782**	617,484

17. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current				
Bonds – net of unamortised bond Issue costs	**-**	8,453,677	**-**	-
Bank loans– net of unamortised loan issue costs	**9,364,502**	1,781,034	**155,008**	213,337
Loan payable to subsidiary	**-**	-	**600,000**	7,253,093
	9,364,502	10,234,711	**755,008**	7,466,430
Current				
Bank overdrafts	**2,127,929**	2,377,382	**2,127,221**	2,376,820
Debt securities in issue	**8,478,225**	-	**-**	-
Bank loans	**720,102**	6,443,853	**63,600**	63,600
Loan payable to subsidiary	**-**	-	**5,018,424**	754,000
	11,326,256	8,821,235	**7,209,245**	3,194,420
Total borrowings	**20,690,758**	19,055,946	**7,964,253**	10,660,850

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.

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. The loan was withdrawn in 2021.

Furthermore, during 2021, the Group obtained a sanction letter from a bank for facilities amounting to €17,000,000, repayable within 15 years from first draw-down and bearing interest at 3.6%. Part of these facilities are to be used to refinance its existing bank facilities with the current lender. As at 31 December 2022, the Group had not yet drawn-down €8,100,000 of these facilities.

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 €21,775 (2020: €46,323).

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 2022 amounted to €19,946,308 (2021: €27,602,269), and €2,378,317 (2021: €2,426,937) respectively.

17. Borrowings - continued

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.

Effective interest rates at the reporting period:

	Group		Company	
	2022	2021	**2022**	2021
	%	%	**%**	%
Fixed rates				
Loan payable to subsidiary	**-**	-	**-**	3.50
Debt securities in issue	**5.30**	5.30	**-**	-
Floating rates				
Bank overdraft	**4.60**	4.60	**4.60**	4.60
Bank loans	**3.60**	3.30	**4.60**	4.60

Maturity of long-term borrowings:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Between 2 and 5 years	**2,489,561**	1,781,034	**755,008**	7,466,430
Over 5 years	**6,874,941**	-	**-**	-
	9,364,502	1,781,034	**755,008**	7,466,430

Net debt reconciliation

	Group		Company	
	2022	**2021**	**2022**	**2021**
Bank borrowings				
Net debt as at 1 January	**8,224,887**	6,565,234	**8,284,030**	7,368,789
Proceeds from drawdowns	**8,900,000**	1,855,829	**134,200**	1,022,738
Prepayment on loan transaction costs	**(216,726)**	-	**-**	-
Repayment of principal	**(6,823,557)**	(196,176)	**(2,581,198)**	(107,497)
Interest expense	**489,117**	29,771	**316,906**	350,633
Interest payments (presented as operating cashflows)	**(489,117)**	(29,771)	**(316,906)**	(350,633)
Net debt as at 31 December	**10,084,604**	8,224,887	**5,837,032**	8,284,030

18. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current				
Trade payables	**563,144**	367,803	-	-
Amount owed to associates	**1,830,435**	2,150,420	-	-
	2,393,579	2,518,223	-	-
Current				
Trade payables	**1,348,717**	1,460,829	**346,173**	367,859
Amounts owed to subsidiaries	**-**	-	**794,926**	712,336
Amounts owed to associates	**1,345,765**	1,112,553	**-**	-
Other payables	**135,641**	501,306	**-**	4,664
Indirect taxes and social security	**213,236**	576,162	**34,283**	54,443
Accruals and deferred income	**598,476**	412,534	**107,234**	102,155
	3,641,835	4,063,384	**1,282,616**	1,241,457
Total trade and other payables	**6,035,414**	6,581,607	**1,282,616**	1,241,457

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

Amounts owed to associates are unsecured and bear interest of 4.8% (2021: 4.8%).

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

19. Revenue

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

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Automotive	**3,266,775**	2,327,725	**-**	-
Management fees	**419,481**	510,942	**861,893**	432,889
Retail	**303,514**	1,441,334	**-**	-
Rental income	**1,125,052**	840,769	**-**	-
	5,114,822	5,120,770	**861,893**	432,889

20. Expenses by nature

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Purchases of goods	**179,071**	877,110	**-**	-
Employee benefit expenses (Note 21)	**972,982**	822,225	**201,816**	181,024
Directors' emoluments (Note 26)	**410,371**	423,812	**367,021**	372,185
Depreciation of property, plant and equipment (Note 4)	**804,962**	1,019,079	**63,488**	34,406
Depreciation of right-of-use assets (Note 5)	**154,983**	132,154	**-**	-
Movement in provision for impairment of receivables (Note 10)	**(7,983)**	41,986	**-**	-
Computer and IT costs	**36,651**	71,413	**14,282**	42,440
Insurances and licences	**526,685**	503,512	**28,062**	15,251
Motor vehicle expenses	**183,142**	106,111	**5,564**	7,475
Professional fees	**148,401**	89,155	**75,435**	53,923
Advertising and sales promotion	**38,448**	48,201	**-**	-
Operating lease rental charges and service fees	**122,067**	494,694	**42,746**	41,195
Royalties	**-**	12,854	**-**	-
Exchange differences	**-**	(23,113)	**-**	-
Other expenses	**607,732**	453,691	**82,118**	85,556
Total cost of sales, selling and other direct expenses and administrative expenses	**4,177,512**	5,072,884	**880,532**	833,455

Auditor's fees

Fees charged by the audit firm for services rendered during the financial periods ended 31 December 2022 and 2021 relate to the following:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Annual statutory audit	**37,000**	34,000	**10,500**	9,660
Tax advisory and compliance services	**8,000**	8,350	**750**	750
Other non-audit services	**4,000**	4,000	**-**	-
Advisory services	**13,000**	11,500	**13,000**	11,500
	62,000	57,850	**24,250**	21,910

21. Employee benefit expenses

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Wages and salaries	**909,093**	720,861	**181,143**	160,578
Social security costs	**63,889**	101,364	**20,673**	20,446
	972,982	822,225	**201,816**	181,024

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 €96,877 (2021: €449,339). 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	
	2022	2021	**2022**	2021
Automotive	**29**	24	**-**	-
Management	**18**	21	**10**	11
Retail	**5**	28	**-**	-
	52	73	**10**	11

22. Other income/(loss)

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Increase in fair value of investment property (note 6)	**-**	3,363,675	**-**	-
Profit on disposal of property, plant and equipment (note 4)	**190,218**	491,870	**-**	-
Waiver of debts from subsidiary	**-**	-	**-**	(307,764)
Movement in provision for intercompany receivables	**-**	-	**-**	210,750
Rental income	**-**	-	**-**	23,725
Income from lease premium – net of other miscellaneous costs (Note 5,16)	**-**	186,011	**-**	-
Other income	**101,923**	-	**4,990**	24,298
	292,141	4,041,556	**4,990**	(48,991)

23. Finance income

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Other finance income	**6,752**	28,090	**-**	-

24. Finance costs

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Bank overdraft	**37,637**	113,594	**37,637**	86,049
Bank loan	**457,388**	234,613	**4,976**	6,123
Debt securities	**450,500**	450,500	**-**	-
Interest charges on lease liabilities	**39,093**	36,316	**-**	-
Loan payable to subsidiary	**-**	-	**311,374**	346,411
Hire purchases interest	**126,163**	140,725	**-**	-
Other finance charges	**118,407**	83,938	**3,128**	699
	1,229,188	1,059,686	**357,115**	439,282

25. Tax charge/(credit)

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Deferred tax charge/(credit) (Note 15)	**-**	167,699	**(104,000)**	-

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 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Profit/(loss) before tax	**468,310**	3,407,740	**(370,763)**	(888,839)
Tax at 35%	**163,908**	1,192,709	**(129,767)**	(311,094)
Tax effect of :				
Income subject to different tax rates		-	**-**	-
Non-deductible expenses	**19,808**	69,165	**7,109**	109,425
Income not recognised for tax purposes	**(161,800)**	(122,464)	**(104,347)**	-
Temporary differences not recognised	**151,407**	(82,076)	**123,005**	203,330
Maintenance allowance on immovable property	**(31,267)**	(30,048)	**-**	(1,661)
Difference attributable to tax rules applicable to immovable property	**-**	(859,587)	**-**	-
Unrecognised deferred tax in prior year	**(142,056)**	-	**-**	-
Tax charge/(credit)	**-**	169,699	**(104,000)**	-

26. Directors' emoluments

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Directors' remuneration	**375,495**	343,253	**334,609**	330,154
Directors' fees	**17,733**	69,166	**15,269**	30,638
Directors' reimbursement	**17,143**	11,393	**17,143**	11,393
	410,371	423,812	**367,021**	372,185

27. Cash generated from operations

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

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Operating profit/(loss)	**1,229,451**	4,089,442	**(13,649)**	(449,557)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**804,962**	1,019,079	**63,488**	34,406
Amortisation of right-of-use assets (Note 5)	**154,983**	132,154	**-**	-
Lease concessions/ modifications (Note 16)	**-**	(240,287)	**-**	-
Gain on disposal of property, plant and equipment	**(190,218)**	(491,870)	**2,183**	(9,298)
Movement in provision on receivables	**(7,983)**	41,986	**-**	-
Fair value gain on revaluation of investment property	**-**	(3,363,675)	**-**	-
Changes in working capital:				
Inventories	**7,146**	918,193	**(20,000)**	-
Trade and other receivables	**382,477**	(860,644)	**1,699,558**	(450,373)
Trade and other payables	**(546,193)**	(268,238)	**41,159**	575,873
Cash generated from/(used in) operations	**1,834,625**	976,140	**1,772,739**	(298,949)

28. Contingencies and commitments

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 2022 and 2021, the Group had guarantees for a maximum amount of €6,125,000 (2021: €9,187,000) used by a group company, in favour of its bankers for facilities provided to the Group.

Commitments

	Group	
	2022	2021
	€	€
Capital expenditure		
Authorised and contracted for	**1,614,000**	-

29. 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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Management fees receivable from associates	**528,328**	528,328	**427,999**	527,996
Management fees receivable from subsidiaries	**-**	-	**294,999**	-
Waiver of amounts due from subsidiary	**-**	-	**-**	(307,764)
Rental income from subsidiaries	**-**	-	**-**	23,725
Interest payable to subsidiaries	**-**	-	**311,374**	346,411
Interest payable to associates	**96,585**	108,716	**-**	-
Purchases of property, plant and equipment from associates	**1,015,084**	973,801	**-**	-

Year end balances with related parties, arising principally from transactions referred to previously, are disclosed in Notes 10, 17 and 18 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 26.

30. Statutory information

United Group Limited is a limited liability company and is incorporated in Malta, with its registered address at United Group of Companies, Pinto Business Centre, Level 4, Mill Street, Qormi, QRM 3104, Malta.