UNITED GROUP LIMITED

Condensed Consolidated Interim Financial Statements
30 June 2023

For the period 1 January 2023 to 30 June 2023

Interim Directors' Report

The condensed interim consolidated financial information included in this report has been extracted from the Group's unaudited financial information for the period ending 30 June 2023. This interim report has not been audited or reviewed by the Company's independent auditors.

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.

Financial Performance

Revenue for the Group generated from the Group's automotive operations amounted to €1.53 million (2022: €1.33 million), whilst rental income generated €0.57 million (2022: €0.51 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 €0.69 million (2022: €0.59 million) and interests payable on financing facilities provided by local financial institutions.

The Group's net profit on 30 June 2023 was €0.02 million (2022: €0.02 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 the end of 30 June 2023 increased to €40.0 million, resulting in an increase in the Group's asset base of €0.4 million. This increase is primarily brought about by the increase in its property, plant and equipment and increase to its investment in associates. These increases are offset by a decrease in its trade and other receivables of €0.670 million and decrease in its cash balance of €0.35 million.

The total liabilities of the Group at year-end amounted to €29.6 million (2022: €29.1 million). Liabilities mainly comprise the €8.5 million 5.3% 2023 Bond Issue and other local bank borrowings amounting to €11.9 million, representing a decrease of €0.3 million, primarily due to financing capital repayments.

As at 30 June 2023, the Group had a net current liability position of €13,585,411 (2022: €10,914,877). As disclosed in Note 17 - Borrowings, as at 30 June 2023, 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 as further detailed below.

Directors' Report - continued

Principal risks and uncertainties for the remaining six months of the financial year:

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

During 2020 and 2021 the board of directors embarked on a review of the Group's business model to ensure that the Group will be well positioned to continue in operation and will generate positive cashflows and results. To date such measures have been implemented successfully and have paved the way for the Group to streamline operations through retaining its more profitable ventures, enhance the Group's asset and equity base and align borrowings with the Group's revised operational model and forecasted cashflows.

In line with the Group's revised business model, on 19 June 2023, United Finance p.l.c., a subsidiary of the Group, issued an announcement that the Board of Directors has approved the sale and transfer of the G.B. Buildings property in Ta' Xbiex to a fellow subsidiary, United Estates Limited, for a consideration of €8,416,113. The Company intends to deploy the funds received from the sale of the property to redeem the €8,500,000 5.3% Unsecured Bonds 2023.

Management and the Board of Directors of the Group have prepared detailed base case projections for profitability and cashflows for the next 12 months from the date of reporting of these financial statements for the Group, taking into consideration the planned action points described above. The Group's profitability and cashflow projections indicate that enough resources are available for the Group to cover its commitments, including the final bond coupon due in November 2023 and to continue operating as a going-concern.

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 includes continuously assessing the performance of its subsidiaries and investments to ensure the long-term viability of the Group. As further disclosed in note 12, the Board of Directors of United Finance p.l.c., a subsidiary of the Group, has resolved to embark on a €10,000,000 bond issuance programme bearing interest at 6%, the proceeds of which will be utilised to fund various prospective investments in a number of tranches. The first tranche of €1,100,000 was drawn down in August 2023 and will be deployed to fund a number of investments undertaken by fellow subsidiaries.

Results and dividends

The condensed interim statement of comprehensive income is set out on page 8. The Directors do not recommend the payment of an interim dividend for the period under review.

Directors' report - continued

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 as Chairperson 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 Rapinett (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

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

17th October 2023

Statements of financial position

	Notes	**As at 30 June 2023**	As at 31 December 2022
		€	€
ASSETS			
Non-current assets			
Property, plant and equipment	7	**5,839,352**	4,755,609
Right-of-use assets		**520,658**	598,149
Investment properties	8	**21,977,840**	21,939,883
Investments in associates and jointly-controlled entities		**8,311,666**	8,008,853
Trade and other receivables		**373,773**	285,652
Deferred tax assets		**1,032,468**	932,468
Total non-current assets		**38,055,757**	36,520,614
Current assets			
Inventories		**87,631**	122,939
Trade and other receivables		**519,674**	1,189,104
Cash and cash equivalents		**1,385,531**	1,744,138
Total current assets		**1,992,836**	3,056,181
Total assets		**40,048,593**	39,576,795

Statements of financial position – continued

	Note	As at 30 June 2023 €	As at 31 December 2022 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**24,653**	24,653
Retained earnings		**10,379,786**	10,359,851
Total equity		**10,404,439**	10,384,504
Non-current liabilities			
Deferred tax liabilities		**1,821,337**	1,821,337
Lease liabilities		**323,102**	391,640
Borrowings	9	**9,364,259**	9,364,502
Trade and other payables		**2,557,209**	2,393,579
Total non-current liabilities		**14,065,907**	13,971,058
Current liabilities			
Lease liabilities		**253,142**	253,142
Borrowings		**11,048,428**	11,326,256
Trade and other payables		**4,276,677**	3,641,835
Current tax liabilities		**-**	-
Total current liabilities		**15,578,247**	15,221,233
Total liabilities		**29,644,154**	29,192,291
Total equity and liabilities		**40,048,593**	39,576,795

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

The financial statements on pages 6 to 17 were authorised for issue by the board of directors on 17 October 2023 and were signed on its behalf by:

Mr Edmund Gatt Baldacchino
Director

Mr Simon Gatt Baldacchino
Director

Statements of comprehensive income

		Period from 1 January to 30 June 2023	Period from 1 January to 30 June 2022
		€	€
Revenue	10	**2,482,259**	2,161,655
Cost of sales		**(1,524,499)**	(1,242,325)
Gross Profit		**957,760**	919,330
Selling and other direct expenses		**(114,948)**	(137,656)
Amortisation of right of use and lease modification		**(77,492)**	(77,492)
Administrative expenses		**(542,136)**	(328,070)
Other income/(loss)		**87,027**	2,211
Operating profit		**310,211**	378,323
Share of results of associates and jointly-controlled entities		**302,314**	230,646
Finance costs		**(692,590)**	(589,565)
(Loss)/ profit for the year before tax		**(80,065)**	19,404
Tax credit		**100,000**	-
Total comprehensive profit/(loss) for the year		**19,935**	19,404

The notes on pages **11 to 17** 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 2022	24,653	-	9,891,541	9,916,194
Comprehensive income				
Profit for the financial year	-	-	19,404	-
Balance at 30 June 2022	**24,653**	-	**9,910,945**	**9,935,598**
Balance at 1 January 2023	24,653	-	10,359,851	10,384,504
Comprehensive income				
Profit for the financial year	-	-	19,935	19,935
Balance at 30 June 2023	**24,653**	-	**10,379,786**	10,404,439

Included in retained earnings are unrealised profits relating to fair value gains of investment property amounting to € 11,989,112 (30th June 2022: €11,989,112) which are not available for distribution (Note 13).

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

Statements of cash flows

	Period from 1 January to 30 June 2023	Period from 1 January to 30 June 2022
Net cash (used in)/ generated from operating activities	**1,688,043**	(333,026)
Net cash used in investing activities	**(1,690,268)**	(303,037)
Net cash (used in)/ generated from financing activities	**(156,926)**	2,382,959
Net movement in cash and cash equivalents	**(159,151)**	1,746,896
Cash and cash equivalents at beginning of the period	**(633,244)**	(1,607,045)
Cash and cash equivalents at end of the period	**(792,395)**	139,851

The notes on pages **11 to 17** are an integral part of these consolidated financial statements.

Notes to the condensed consolidated interim financial statements

1. General information

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

The financial statements for the year ended 31 December 2022 are available upon request from the Group's registered office at United Group of Companies, Pinto Business Centre, Level 4, Mill Street, Qormi, QRM 3104, Malta.

2. Basis of preparation

The condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting'). The financial statements have been prepared under the historical cost convention. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

As at 30 June 2023, the Group had a net current liability position of €13,585,411. In line with the Group's revised business model, on 19 June 2023, United Finance p.l.c., a subsidiary of the Group, issued an announcement that the Board of Directors has approved the sale and transfer of the G.B. Buildings property in Ta' Xbiex to a fellow subsidiary, United Estates Limited, for a consideration of €8,416,113. The Company intends to deploy the funds received from the sale of the property to redeem the €8,500,000 5.3% Unsecured Bonds 2023.

Management and the Board of Directors of the Group have prepared detailed base case projections for profitability and cashflows for the next 12 months from the date of reporting of these financial statements for the Group, taking into consideration the planned action points described above. The Group's profitability and cashflow projections indicate that enough resources are available for the Group to cover its commitments, including the final bond coupon due in November 2023 and to continue operating as a going-concern.

3. Summary of significant accounting policies

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. There is no impact on the adoption of these revisions on the Group's accounting policies and on the Group's financial results.

(b) Impact of standards issued but not yet applied by the Group

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's accounting periods beginning after 1 January 2023. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2022.

5. 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, 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.

6. Fair values of financial and non-financial instruments

Financial instruments

The Group is required to disclose fair value measurements by level of a fair value measurement hierarchy for financial instruments (Level 1, 2 or 3). The different levels have been defined as follows:

- 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).

As at 30 June 2023 and December 2022 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.

6. Fair values of financial and non-financial instruments - continued

Non-financial instruments

Fair valuation of investment properties

During the prior financial year ended 31 December 2022, 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 2022 and 30 June 2023.

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 as at 30 June 2023 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

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

6. Fair values of financial and non-financial instruments - continued

Non-financial instruments - continued

Fair valuation of investment properties - continued

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.

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

Description by class based on highest and best use	Fair value at 30 June 2023 €	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.

7. Property, plant and equipment

a) Acquisitions and disposals

During the six months ended 30 June 2023, the Group acquired assets, primarily property, plant and equipment with a cost of €1,611,217 (six months ended 30 June 2022: €626,192).

8. Investment properties

Group	**Total** €
Year ended 31 December 2022	
Opening net book amount	21,524,831
Acquisition/improvements made during the year	415,052
	21,939,883
Period ended 30 June 2023	
Opening net book amount	21,939,883
Acquisition/improvements made during the year	37,957
	21,977,840

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.

During the interim 30 June 2023, €574,381 (30 June 2022: €514,880) was recognised as rent receivable in profit or loss in respect of operating leases.

At 30 June 2023 and 2022, the properties were secured in favour of banking facilities availed of by the Group.

9. Borrowings

	As at 30 June 2023 €	As at 31 December 2022 €
Non-current		
Bonds – net of unamortised bond Issue costs		-
Bank loans– net of unamortised loan issue costs	**9,364,259**	9,364,502
Loan payable to subsidiary		-
	9,364,259	9,364,502
Current		
Bank overdrafts	**2,177,926**	2,127,929
Debt securities in issue	**8,491,226**	8,478,225
Bank loans	**379,276**	720,102
Loan payable to subsidiary		-
	11,048,428	11,326,256
Total borrowings	**20,412,687**	20,690,758

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 30 June 2023, the Group had not yet drawn-down €8,100,000 of these facilities. This amount was withdrawn subsequent to period end on the 10th October 2023.

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.

10. Revenue

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

	Period from 1 January to 30 June 2023 €	Period from 1 January to 30 June 2022 €
Automotive	**1,533,023**	1,329,396
Management fees	**463,947**	430,946
Retail	**140,474**	129,012
Rental income	**574,381**	514,880
	2,711,825	2,404,234

11. 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 30 June 2023, the Group had guarantees for a maximum amount of €6,125,000 (31 December 2022: €9,187,000) used by a group company, in favour of its bankers for facilities provided to the Group.

Commitments

	As at 30 June 2023 €	As at 31 December 2022 €
Capital expenditure		
Authorised and contracted for	**1,614,000**	1,614,000

11. 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 with related parties:

	Period from 1 January to 30 June 2023	Period from 1 January to 30 June 2022
	€	€
Management fees receivable from associates	**200,000**	200,000
Interest payable to associates	**71,449**	62,193
Purchases of property, plant and equipment from associates	**1,611,217**	626,192

12. Events subsequent to the end of the reporting period

On 24 July 2023, United Finance plc, a subsidiary of the Group, issued an announcement that a base prospectus dated 20 July 2023 ("Base Prospectus"), relating to the issue of up to €10,000,000 unlisted unsecured notes ("Notes") pursuant to a note issuance programme (the "Note Issuance Programme"), has been approved by the Malta Financial Services Authority, as the competent authority under the Prospectus Regulation (Regulation EU No. 2017/1129). The Notes are guaranteed by the Company's parent company, United Group Limited, on a joint and several basis.

The Base Prospectus sets out the terms under which the Notes are to be issued by the Company, in one or more tranches, in favour of the nominee and placement agent, MZ Investment Services Ltd (C23936) ("Nominee and Placement Agent"). All categories of investors may participate in the Note Issuance Programme through the subscription for participation notes to be issued by the Nominee and Placement Agent under the terms and conditions of the applicable final terms.

Full details of the Note Issuance Programme and the first tranche of Notes, consisting of up to a maximum of €1,100,000 participation notes of a nominal value of €1,000, redeemable at par on 26 July 2029 and bearing interest at the rate of 6% per annum, are set out in the Base Prospectus and the final terms relative to the first tranche of Notes.

Further to the closure, on 4 August 2023, of the offer period relative to the issue of an initial tranche of €1,100,000 6% Unsecured Notes 2029, United Finance plc announced the basis of acceptance for the Tranche I Issue and the fact that the Tranche I Issue has been fully subscribed. Interest on the notes issued pursuant to the Tranche I issue will commence to run as from 4 August 2023. The proceeds from the first tranche, as stipulated in the Note Issuance Programme, will be mainly utilised for funding of investments in real estate undertaken by a fellow subsidiary.