

UNITED FINANCE P.L.C.

Condensed Interim Financial Statements  
30 June 2016

For the period 1 January 2016 to 30 June 2016

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## **Directors' report**

The directors present their report in terms of Chapter 5 of the Listing Rules issued by The Listing Authority, and in terms of the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by United Finance p.l.c. (the 'Company') in its published annual report. The published figures have been extracted from the Company's unaudited accounts for the six months ended 30 June 2016, as approved by the Board of Directors on 23 August 2016 and are in accordance with accounting standards as adopted by the EU for interim financial statements.

### **Principal activities**

The company's principal activity is to act as a finance company for the United Group of Companies, of which the Company is a member, principally by assuming the credit risk evaluation of accounts receivable, besides advancing amounts on loan, to other group companies.

### **Review of the business**

During the period under review, the Company registered a gross profit amounting to €168,194 (2015: €181,125). Revenue was primarily generated from interest on loans, bills of exchange and rental income, and amounted to €401,620 (2015: €411,660).

During the period, the Company registered a profit before tax amounting to €101,598 (2015: €130,546). The carrying amount of the equity investments held by the Company decreased by €6,795 (2015: increase of €26,804).

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

The Company's principal activity is to act as a finance company for the United Group and to effectively and efficiently manage the financing requirements of the Group's working capital. In this context, the Company's trading prospects are dependent on the performance of the companies within the Group to which amounts have been advanced by the Company by way of loan. The business activities of the companies forming part of the United Group, of which the Company forms part, 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 of negative economic trends that may from time to time impact Malta.

**Directors' report** - continued

**Principal risks and uncertainties for the remaining six months of the financial year** - continued

In preparing these financial statements the directors of the Company have made reference to the cash flow forecast of the Group covering the years 2016 to 2017. The cash flow forecast assumes that the Group will continue to generate the required cash flows from its trading activities in the automotive, retail and property rental sectors.

In view of the fact that activities are monitored closely and that costs are in line with budgets, the directors believe that it remains appropriate to prepare the interim financial statements on a going concern basis. The financial statements however do not include any adjustments in the event that the forecast and assumptions do not materialise as planned.

**Results and dividends**

The condensed interim statement of comprehensive income is set out on page 6. The directors do not recommend the payment of an interim dividend for the period under review.

**Directors**

The directors of the company who held office during the period were:

Carmen Gatt Baldacchino (Chairperson)  
Edmund Gatt Baldacchino (Chief Executive Officer)  
Simon Gatt Baldacchino  
James Bonello  
Joseph F.X. Zahra

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

Approved by the Board of Directors on 23 August 2016 and signed on its behalf by:



Carmen Gatt Baldacchino  
Director



Edmund Gatt Baldacchino  
Director

Registered office  
GB Buildings  
2<sup>nd</sup> Floor  
28, Water Street  
Ta' Xbiex, XBX 1310  
Malta

**Statement pursuant to listing rule 5.75.3**

I hereby confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 June 2016, as well as of the financial performance and cash flows for the said period, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34: 'Interim Financial Reporting'); and
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rule 5.81.

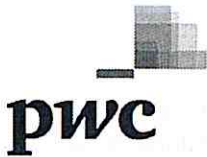


Carmen Gatt Baldacchino  
Director



Edmund Gatt Baldacchino  
Director

23 August 2016



## Independent auditor's report

To the Board of Directors of United Finance p.l.c.

### Report on the Review of Condensed Interim Financial Statements for the period ended 30 June 2016

#### *Introduction*

We have reviewed the accompanying condensed statement of financial position of United Finance p.l.c. as at 30 June 2016, the related condensed income statement and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and the explanatory notes ('the interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

#### *Other matters*

This report, including the conclusion, has been prepared for the Company and for no other purpose. We do not, in producing this report, 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 consent in writing.

#### **PricewaterhouseCoopers**

78 Mill Street  
Qormi  
Malta



David Valenzia  
Partner

23 August 2016

- a) The maintenance and integrity of the United Finance p.l.c. website is the responsibility of the directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed interim financial information since this was initially presented on the website.
- b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Condensed interim statement of financial position

	As at 30 June 2016	As at 31 December 2015
	€	€
<b>ASSETS</b>		
Non-current assets	11,899,160	11,134,549
Current assets	1,991,687	2,433,098
<b>Total assets</b>	<b>13,890,847</b>	<b>13,567,647</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>4,536,553</b>	<b>4,464,310</b>
<b>Non-current liabilities</b>		
Interest bearing borrowings	8,340,241	8,331,448
Deferred tax liability	469,338	469,338
	<b>8,809,579</b>	<b>8,800,786</b>
<b>Current liabilities</b>	<b>544,715</b>	<b>302,551</b>
<b>Total liabilities</b>	<b>9,354,294</b>	<b>9,103,337</b>
<b>Total equity and liabilities</b>	<b>13,890,847</b>	<b>13,567,647</b>

The notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 5 to 12 were authorised for issue by the board on 23 August 2016 and were signed on its behalf by:



Carmen Gatt Baldacchino  
Director



Edmund Gatt Baldacchino  
Director

**Condensed interim statement of comprehensive income**

	<b>Period from 1 January to 30 June 2016</b>	<b>Period from 1 January to 30 June 2015</b>
	€	€
Investment and other related income	<b>401,620</b>	411,660
Interest payable and similar charges	<b>(233,426)</b>	(230,535)
<b>Gross Profit</b>	<b>168,194</b>	181,125
Administrative expenses	<b>(66,596)</b>	(50,579)
<b>Profit before tax</b>	<b>101,598</b>	130,546
Tax (expense) income	<b>(22,560)</b>	158,582
<b>Profit for the period</b>	<b>79,038</b>	289,128
 <b>Other comprehensive income</b>		
Net change in fair value of available-for sale financial assets	<b>(6,795)</b>	26,804
<b>Total comprehensive income for the period</b>	<b>72,243</b>	315,932
 <b>Earnings per share</b>	<b>0.04</b>	0.13

The notes on pages 9 to 12 are an integral part of these condensed interim financial statements.



### Condensed interim statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total
	€	€	€	€
Balance at 1 January 2015	2,329,373	1,658,304	156,955	4,144,632
<b>Comprehensive income</b>				
Profit for the period	-	-	289,128	289,128
Other comprehensive income:				
Profit from change in fair value of available-for-sale financial assets	-	26,804	-	26,804
Impact of changes to deferred tax liability in respect of investment property	-	76,671	(76,671)	-
<b>Total comprehensive income</b>	-	103,475	212,457	315,932
<b>Balance at 30 June 2015</b>	<b>2,329,373</b>	<b>1,761,779</b>	<b>369,412</b>	<b>4,460,564</b>
Balance at 1 January 2016	2,329,373	1,686,051	448,886	4,464,310
<b>Comprehensive income</b>				
Profit for the period	-	-	79,038	79,038
Other comprehensive income:				
Loss from change in fair value of available-for-sale financial assets	-	(6,795)	-	(6,795)
<b>Total comprehensive income</b>	-	(6,795)	79,038	72,243
<b>Balance at 30 June 2016</b>	<b>2,329,373</b>	<b>1,679,256</b>	<b>527,924</b>	<b>4,536,553</b>

The notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

**Condensed interim statement of cash flows**

	<b>Period from 1 January to 30 June 2015</b>	Period from 1 January to 30 June 2015
	€	€
Net cash generated from operating activities	<b>64,220</b>	336,136
Net cash generated from/(used in) investing activities	<b>13,838</b>	(13,915)
Net cash (used in)/generated from financing activities	<b>(125,718)</b>	374,987
Net movement in cash and cash equivalents	<b>(47,660)</b>	697,208
Cash and cash equivalents at the beginning of the period	<b>466,857</b>	550,535
<b>Cash and cash equivalents at the end of the period</b>	<b>419,197</b>	1,247,743

The notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

## Notes to the condensed interim financial statements

### 1. General information

United Finance p.l.c. ("the Company") is a limited liability company domiciled and incorporated in Malta.

The financial statements for the year ended 31 December 2015 are available upon request from the company's registered office at GB Buildings, 2nd Floor, 28, Watar Street, Ta' Xbiex, XBX1310, Malta. They are also available for viewing on its website at [www.unitedgroup.com.mt](http://www.unitedgroup.com.mt).

This condensed interim financial information was approved for issue by the Board of Directors on 23 August 2016.

This condensed interim financial information has been reviewed, not audited, in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

### 2. Basis of preparation

The condensed interim financial information for the six-month period ended 30 June 2016 has 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 condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the EU.

### 3. Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are the same as those applied in the financial statements for the year ended 31 December 2015.

#### *(a) Standards, interpretations and amendments to published standards effective in 2015*

In 2016, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the company's accounting policies.

#### *(b) Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2016 have been published by the date of authorisation for issue of this financial information. The company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

### 4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2015.

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

**6. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors that makes strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the operations and capital projects of the Company and the United Group. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from other companies forming part of the United Group.

**7. Taxation**

The tax charge for the period ended 30 June 2016 amounting to €22,560 comprises tax at 35% on the profit net of rent maintenance allowance and after adding back disallowed maintenance costs.

The tax credit for the period ended 30 June 2015 amounting to €158,582 comprises:

- (a) With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 was reduced to 8% of the transfer value, while the rate in respect of transfers of immovable property acquired before 1 January 2004 is 10%. Accordingly, the Company has recognised the net impact of the application of the changed tax regime on the deferred tax liability attributable to the fair valuation of the company's property, which amounts to a decrease of €76,671 as at 30 June 2015; and
- (b) The net impact of a deferred tax charge of €33,489 arising from the taxable profit for the period and the recognition of an unrecognised deferred tax asset on tax losses and unutilised group relief brought forward from prior years amounting to €115,400

**8. Loans receivable**

In the ordinary course of its business activities, the Company also advances funds to group companies. Such amounts are secured through pledges, guarantees and hypothecs on properties held by their respective companies.

**9. Available-for-sale financial assets**

The Company holds investments in equities that are quoted on the local stock exchange. During the period ended 30 June 2016, these investments registered a decrease in their fair value amounting to €6,795 which has been reflected in the fair value reserve.

**10. Capital commitments**

As at 30 June 2016, the Company did not have any capital commitments.

**11. Interest-bearing borrowings**

During October 2014, the Company embarked on a bond exchange programme for the issue of €8,500,000 5.3% Bonds redeemable on 7 November 2023. The new Bond issue was fully subscribed from existing bondholders of the 6.75% Bonds 2015-2016 who either exchanged, or increased their holding in the 6.75% Bonds 2014-2016 for the new 5.3% Bond 2023 issue. The remaining amount of 6.75% Bonds 2014-2016 were fully redeemed on the 7 November 2014.

Interest on the new Bonds is payable annually in arrears, on 6 November of each year, the first payment fell due on 6 November 2015. The next interest payment is due on 6 November 2016.

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

**12. Contingent liabilities**

No events occurred since 31 December 2015 that require disclosure of any contingent liabilities as at 30 June 2016.

**13. Related parties**

The companies forming part of the United Group are considered by the directors to be related parties as these companies are ultimately owned by the Gatt Baldacchino Family.

The Company is a subsidiary of United Group Limited, the registered office of which is situated at GB Buildings, Watar Street, Ta' Xbiex, Malta.

United Group Limited prepares the consolidated financial statements of the Group, of which United Finance p.l.c. forms part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

The following transactions were carried out with related parties:

	<b>30 June 2016</b>	30 June 2015
	€	€
<b>Income</b>		
Interest receivable:		
Loans advanced to group companies	<b>193,551</b>	197,995
Rental income from operating lease to group company	<b>16,000</b>	16,000
	<b>209,551</b>	214,000
<b>Expenditure</b>		
Management fee charged by group company	<b>35,000</b>	35,000
	<b>35,000</b>	35,000

Non-current receivables at 30 June 2016 include loans advanced to related companies amounting to €5,923,757 (31 December 2015: €6,095,439). Such amounts are secured over assets of the respective group companies. Current assets at 30 June 2016 include loans advanced to related companies falling due in less than one year amounting to €652,016 (31 December 2015: €605,015). Such amounts are secured over assets of the respective group companies.

**13. Related parties - continued**

Current assets also include current account balances with related parties at 30 June 2016 amounting to €72,794 (31 December 2015: €8,000). Such amounts are unsecured.

**14. Subsequent events**

There were no material events which occurred subsequent to the balance sheet date.