UNITED FINANCE P.L.C.

Annual Report and Financial Statements
31 December 2013

Company Registration Number: C 26598

Directors' report

The directors present the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the Company is to act as a finance company for the United Group of Companies (United Group), 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. The Company also holds investment property which it leases out to related and non-related parties.

Review of the business

During the year under review, the Company registered a profit before taxation amounting to €800,137 (2012: €6,421), after deducting taxation, profit for the year amounted to €709,773 (2012: €6,421).

In accordance with the terms and conditions specified in the Prospectus dated 27 June 2008, the Company has undertaken to commence allocation of funds to a sinking fund as described on page 33 to the financial statements. During the year the Company purchased €53,300 of its own Bonds and has further allocated other funds and investments to the sinking fund.

The Company's financial position at 31 December 2013 is set out in the statement of financial position on page 11. The Company shall continue to service United Group during the forthcoming year. No further business developments are envisaged.

Results and dividends

The financial results are set out in the income statement on page 12. On the 29 April 2014, the directors declared a net dividend of €75,000 (2012: €NIL).

Directors

The directors of the Company who held office during the year were:

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

The Company's Articles of Association do not require any director to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the 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 Company will continue in business as a going concern.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of United Finance p.l.c. for the year ended 31 December 2013 are included in the Annual Report 2013, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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.

Going concern statement pursuant to Listing Rule 5.62

After making enquiries and having taken into consideration the future plans of the Group (note 1.1), the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Principal risks and uncertainties faced by the Company

The Company's main objective, as a finance company for the United Group, is 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 Group's business activities are all concentrated in and aimed at the Maltese market. Accordingly, the Group is highly susceptible to the negative economic trends that may from time to time be felt in Malta.

Within this context, the directors have evaluated the risks faced by the various companies to which funds have been advanced, and continue to monitor closely the impact of events as they take place in the local and global economy and how these impact the ability of the various companies within the Group so as to honour their financial commitments. On the basis of this analysis, the directors are of the view that all amounts receivable by the company are recoverable.

In case of default, the Company would exercise its rights vis-à-vis the various pledges it holds over group company assets.

Directors' report - continued

Disclosure in terms of the Listing Rules - continued

Pursuant to Listing Rule 5.64 - continued

Share capital structure

The Company's authorised and issued share capital is €2,329,373 divided into 1,000,000 Ordinary shares of €2.329373 each. The share capital consists of one class of ordinary shares with equal voting rights attached. No restrictions apply to the transfer of shares.

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at 31 December 2013, United Automobile Limited and United Group Limited held 2,049,851 and 279,522 shares, respectively, equivalent to 88% and 12% of the Company's issued share capital.

Shareholders holding at least 20% of the issued share capital having voting rights or a number of shareholders who between them hold not less than 20% of the issued share capital of the Company having voting rights, shall be entitled to appoint one director for every 20% holding. Other limitations of the voting rights of holders are contained in the Company's Articles of Association, Clause 55.

Appointment and Replacement of Directors

Board members are appointed for one year and are eligible for re-appointment at the Annual General Meeting.

Board Member Powers

The powers of the Board members are contained in Article 66 of the Company's Articles of Association.

The Articles of Association grant the Company the power to buy back its own shares in terms of the Companies Act, 1995 (Chapter 386, Laws of Malta).

Contracts with Board Members and Employees

The Company has no contract with any of its Board members that include a severance payment clause. The Company had no employees during the year ended 31 December 2013 (2012: nil).

No disclosures are being made pursuant to listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 as these are not applicable to the Company.

Pursuant to Listing Rule 5.70.1

The company has an agreement with United Assets and Management Services Limited for the lease of office space.

In prior years, the Company had entered into an agreement with United Automobiles Limited '(UAL)' for the factoring of bills of exchange. During 2011, UAL ceased issuing bills of exchange as a result of the transfer of business to a related company and accordingly, United Finance plc was not required to factor further bills of exchange as from 2012.

In the normal course of the Company's business, the Company advances by way of loan amounts to companies forming part of the United Group. Details of such contracts are set out in note 6 to the financial statements.

Directors' report - continued

Disclosure in terms of the Listing Rules - continued

Pursuant to Listing Rule 5.68

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

C. Gatt Baldacchino

Carmen Gatt Baldacchino
Director

Edmund Gatt Baldacchino
Director

Registered office
GB Buildings
2nd Floor
28, Watar Street
Ta' Xbiex XBX 1310
Malta

29 April 2014

Corporate Governance – Statement of Compliance

The Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, Listed Companies are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

The Board of Directors (the "Board") of United Finance p.l.c (the "Company") believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

The Board

The Board of Directors is responsible for devising a strategy, setting policies and the management of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond and sinking fund, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Throughout the period under review, the Board regularly reviewed management performance. The Company has in place systems whereby the directors obtain timely information from the Chief Executive Officer, not only at meetings of the Board but at regular intervals or when the need arises.

Chairman and Chief Executive Officer

The functions of the Chairperson and Chief Executive Officer are vested in separate individuals as recommended by the Code. The Chairperson's main function is to lead the board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

Complement of the Board

The Board is composed of one executive and four non-executive directors, as listed below. The directors, except for James Bonello, who was appointed director on the 16 June 2008, and Joseph FX Zahra, who was appointed on the 1 June 2012, are the same as those at the date of incorporation of the Company, all directors having been reappointed to their post on a yearly basis.

Executive Director

Edmund Gatt Baldacchino (Chief Executive Officer)

Corporate Governance – Statement of Compliance - continued

Non-Executive Directors

Carmen Gatt Baldacchino (Chairperson)
Simon Gatt Baldacchino
James Bonello
Joseph FX Zahra

Carmen Gatt Baldacchino holds similar non-executive positions with other companies of the United Group of which the Company is a member. Simon Gatt Baldacchino is a non-executive director of other companies related to United Finance p.l.c. and an executive director with a related company, whilst Joseph FX Zahra is a director of United Group Limited, the parent company of United Finance p.l.c. For the purpose of the provisions of the Code, the Board considers James Bonello and Joseph FX Zahra as independent.

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Internal Control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the Company is delegated to the Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

The approval of credit to customers is made by the group Financial Controller, in strict adherence to a Board-approved limit. Proposals falling outside the limit are referred, together with the supporting documentation and the Financial Controller's recommendations, to the Board. The Board also approves, after review and recommendation by the Audit Committee, the transfer of funds and other amounts payable to companies within the same group, and ensures that these are subject to terms and conditions which are on an arm's length basis.

Directors' Attendance at Board Meetings

The Board believes that it has systems in place to fully comply with the principles of the Code. Directors meet regularly, mainly to review the financial performance of the Company and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advise at the Company's expense should they so require.

Corporate Governance – Statement of Compliance - continued

Directors' Attendance at Board Meetings - continued

The Board met formally three times during the year under review. The number of board meetings attended by directors for the year ended 31 December 2013 is as follows:

Members	**Attended**
Carmen Gatt Baldacchino	3
Edmund Gatt Baldacchino	3
Simon Gatt Baldacchino	3
James Bonello	3
Joseph FX Zahra	3

Committees

The directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the board itself. However, the Board on an annual basis undertakes a review of the remuneration paid to the directors, and carries out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the directors at the annual general meeting.

Audit Committee

The Board established an Audit Committee (the "Committee") in 2002 and has formally set out Terms of Reference as outlined in the Principles laid out in the Listing Rules. The purpose of the Committee is to protect the interest of the Company's share and bond holders and assist the directors in conducting their role effectively. In the absence of an internal audit department, the Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the entities borrowing funds from the Company, to ensure that budgets are achieved and if not corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out at arm's length basis. By a letter dated 23 June 2008, the Listing Authority considered the Terms of Reference as having sufficient safeguards to ensure the independence of the Audit Committee.

The Members of the Audit Committee are:

Edmund Gatt Baldacchino
James Bonello
Joseph FX Zahra

James Bonello and Joseph FX Zahra are directors who the Board considers as persons competent in accounting. James Bonello held senior management positions at HSBC Bank Malta p.l.c. including that of Head of Commercial Banking and executive director.

Joseph FX Zahra was Chairman of Bank of Valletta between 1998 and 2004, and Middlesea Insurance p.l.c between 2010 and 2012. Mr. J. FX Zahra is also a member of the Corinthia Palace Hotel Limited audit committee.

The Committee met five times during the year to 31 December 2013.

Corporate Governance – Statement of Compliance - continued

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the last Annual General Meeting was €24,500.

None of the directors is employed or has a service contract with the Company.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits.

The directors received €24,337 in aggregate for services rendered during 2013 (2012: €17,807).

Relations with bondholders and the market

The Company publishes interim and annual financial statements and when required company announcements. The Board feels these provide the market with adequate information about its activities.

Conflicts of Interest

On joining the Board and regularly thereafter, directors and officers of the Company are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law and Listing Rules. The Company has also set reporting procedures in line with the Listing Rules, Code of Principles, and internal code of dealing.

Signed on behalf of the Board of Directors on 29 April 2014 by:

James Bonello
Director and Chairman of the Audit Committee

Joseph F.X. Zahra
Director

pwc

Independent auditor's report

To the Shareholders of United Finance p.l.c.

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of United Finance p.l.c. on pages 11 to 43 which comprise the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on pages 1 and 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act 1995 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements

- give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

Independent auditor's report - continued

Report on Corporate Governance - continued

We read the Statement of Compliance and considered the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual return.

We are not required to, and we do not, consider whether the board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that 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 we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the listing rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78,
Mill Street
Qormi, QRM3101,
Malta

David Valenzia
Partner

29 April 2014

Statement of financial position

	Note	Year ended 31 December 2013 €	2012 €
ASSETS			
Non-current assets			
Investment property	4	**4,550,000**	3,847,529
Available-for-sale financial assets	5	**1,327,102**	1,005,825
Loans and receivables	6	**6,603,853**	6,961,696
Trade and other receivables	7	**213,960**	484,091
Total non-current assets		**12,694,915**	12,299,141
Current assets			
Trade and other receivables	7	**2,475,738**	2,225,557
Other investments	8	**670,379**	331,117
Current tax assets		**25,872**	22,432
Cash and cash equivalents	9	**1,067,397**	1,190,532
Total current assets		**4,239,386**	3,769,638
Total assets		**16,934,301**	16,068,779
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**2,329,373**	2,329,373
Other reserves	11	**1,670,942**	1,025,053
Retained earnings		**342,769**	251,170
Total equity		**4,343,084**	3,605,596
Non-current liabilities			
Deferred tax liabilities	13	**545,997**	461,700
Borrowings	12	**11,523,147**	11,544,450
Total non-current liabilities		**12,069,144**	12,006,150
Current liabilities			
Trade and other payables	14	**522,073**	457,033
Total liabilities		**12,591,217**	12,463,183
Total equity and liabilities		**16,934,301**	16,068,779

The notes on pages 16 to 43 are an integral part of these financial statements.

The financial statements on pages 11 to 43 were authorised for issue by the board on 29 April 2014 and were signed on its behalf by:

C. Gatt Baldacchino

Carmen Gatt Baldacchino
Director

Edmund Gatt Baldacchino
Director

Income statement

	Notes	Year ended 31 December 2013 €	2012 €
Revenue – investment and other related income	15	**1,018,945**	937,463
Interest payable and similar charges	16	**(816,277)**	(824,847)
Gross profit		**202,668**	112,616
Administrative expenses	17	**(105,002)**	(106,195)
Fair value gains on investment property	11	**702,471**	-
Profit before tax		**800,137**	6,421
Tax expense	19	**(90,364)**	-
Profit for the year		**709,773**	6,421
Earnings per share	20	**30.47**	0.28

The notes on pages 16 to 43 are an integral part of these financial statements.

Statement of comprehensive income

		Year ended 31 December	
	Notes	**2013** **€**	2012 €
Profit for the year		**709,773**	6,421
Other comprehensive income			
Available for sale investments:			
- Net fair value gains	5	**27,715**	28,467
Other comprehensive income for the year		**27,715**	28,467
Total comprehensive income for the year		**737,488**	34,888

The notes on pages 16 to 43 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2012		2,329,373	996,586	244,749	3570,708
Comprehensive income					
Profit for the year		-	-	6,421	6,421
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	11	-	28,467	-	28,467
Total comprehensive income		-	28,467	6,421	34,888
Balance at 31 December 2012		**2,329,373**	**1,025,053**	**251,170**	**3,605,596**
Balance at 1 January 2013		**2,329,373**	**1,025,053**	**251,170**	**3,605,596**
Comprehensive income					
Profit for the year		-	-	709,773	709,773
Other comprehensive income:					
Gain from changes in fair value of available-for-sale financial assets	11	-	27,715	-	27,715
Net transfer of fair value gain on investment property, net of deferred tax	11	-	618,174	(618,174)	-
Other comprehensive income, net of tax		-	645,889	(618,174)	27,715
Total comprehensive income		-	645,889	91,599	737,488
Balance at 31 December 2013		**2,329,373**	**1,670,942**	**342,769**	**4,343,084**

The notes on pages 16 to 43 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2013 €	2012 €
Cash flows from operating activities			
Cash used in operations	21	**(172,116)**	(47,038)
Income tax paid		**(18,279)**	(11,295)
Income tax refunded		**8,772**	10,389
Net cash used in operating activities		**(181,623)**	(47,944)
Cash flows from investing activities			
Income on available-for-sale investments		**86,635**	32,274
Purchase of other investment	8	**(632,824)**	(561,099)
Net cash used in investing activities		**(546,189)**	(528,825)
Cash flows from financing activities			
Loans and advances to group companies	6	**(654,548)**	(347,417)
Repayment of loans and advances from group companies	6	**857,840**	952,793
Funds advanced to group company to acquire bills of exchange		**-**	(54,937)
Receipts from debtors in settlement of bills of exchange		**454,685**	637,733
Bonds repurchased by the company	12	**(53,300)**	(158,300)
Net cash generated from financing activities		**604,677**	1,029,872
Net movement in cash and cash equivalents		**(123,135)**	453,103
Cash and cash equivalents at beginning of year		**1,190,532**	737,429
Cash and cash equivalents at end of year	9	**1,067,397**	1,190,532

The notes on pages 16 to 43 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. The financial statements have been prepared under the historical cost convention, except as modified by 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 accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2013

In 2013, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies. The following standard has been adopted by the Company during the current financial period:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2013. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact. The company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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

1.1 Basis of preparation - continued

Going concern

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. In particular, the Group owns various immovable properties for which however a number of promise of sale agreements have been entered into. The Group continues to pursue opportunities to liquidate further properties on a timely basis.

In preparing these financial statements the directors of the Company have made reference to the cash flow forecast of the Group covering the years 2014 to 2016. 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, but it is also necessary that Group review its funding strategy to raise additional funds in view of its commitments. This can be achieved through the liquidation of certain assets in the property sector, an injection of new equity, the raising of new finance or a combination of these alternatives. The Group is actively considering all options available to it to ensure that it meets the requirements of the bond.

In addition, in accordance with paragraph 29.10 of the Company's Prospectus dated 27 June 2008, the Company undertook that as from the financial year ended 31 December 2010 it shall over a period of six years therefrom, build a sinking fund equivalent to fifty per cent of the value of the outstanding bonds in issue as at the redemption date, thus creating a cash reserve from its annual surpluses and repayments of outstanding intra-group loans, bills of exchange and lease repayments, sufficient to meet part of the redemption proceeds (refer to note 12). To 31 December 2013, an amount of €2.0 million has been allocated to the sinking fund (2012: €1.34 million).

Based on the foregoing, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements however, do not include any adjustments in the event that the forecast and assumptions as set out above do not materialise as planned.

1.2 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.

1.3 Foreign currency translation

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company's functional and presentation currency.

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

1.4 Investment property

Investment property, comprising commercial premises including offices, shops and showrooms, is held for long term rental yields or for capital appreciation or both and which is not occupied by the Company is classified as investment property. Investment property comprises land and building and is measured initially at its cost, including related transaction costs. 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 Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the profit or loss for the year and then transferred to "fair value gains reserve" through the statement of changes in equity.

1.5 Financial assets

1.5.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (note 1.6 and 1.9).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

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

1.5 Financial assets - continued

1.5.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within 'investment and other related income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

1.5 Financial assets - continued

1.5.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.6 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. 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 1.5). 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.

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

1.7 Bills of exchange

Bills of exchange are acquired at an amount based on the discounted face value.

1.8 Current and deferred tax

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.

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9 Cash and cash equivalents

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

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company 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

1.12 Borrowings

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

1.13 Trade and other payables

Trade payables comprise 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 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.

1.15 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. 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.

1.16 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 Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Company also has a factoring agreement with United Automobile Limited, the Company's immediate parent company through which receivables arising from the sale of motor vehicles concluded by the company are transferred to United Finance p.l.c. These receivables are transferred at their face value with rights of recourse.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. About six percent (2012: ten percent) of the Company's income is derived from bills of exchange relating to debtors factored. The directors have established a credit policy under which each new customer is individually checked for creditworthiness with established credit agencies. Credit limits are established and are regularly reviewed. Customers that fail to meet the Company's parameters are refused credit. As explained in Note 7, since bills of exchange are factored with full recourse to the issuing company, the extent of credit risk arising on such receivables is considered limited to essentially the credit worthiness of United Automobile Limited, as unpaid bills of exchange are returned to United Automobile Limited, for reimbursement of the outstanding balance plus accrued interest. The directors consider that the risk that UAL does not honour its commitment is also limited. As of 31 December 2013, bills of exchange receivable amounting to €191,648 (2012 €173,561) were past due but not impaired.

The Company has been factoring bills of exchange payable to United Automobile Limited, with full recourse, since the year 2000. Since then the rate of default per annum was less than 0.5% of the outstanding bills. As from July 2011, United Automobile Limited's operations were transferred to a related company and as a result, United Finance p.l.c. ceased factoring debtors of the company.

With respect to amounts receivable arising from rental income, the Company assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Company has no significant concentration of credit risk arising from third parties.

As of 31 December 2013, no trade receivables were impaired.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 12 and 14). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

	Carrying amount €	Contractual cash flows €	On demand €	Due within one year €	Between 1 and 2 Years €	Between 2 and 5 years €
31 December 2013						
Bond	11,614,400	13,577,552	-	783,972	783,972	12,009,608
Trade and other payables	522,073	522,073	522,073	-	-	-
Total	**12,136,473**	**14,099,625**	**522,073**	**783,972**	**783,972**	**12,009,608**
31 December 2012						
Bond	11,667,700	14,425,615	-	787,569	787,569	12,850,477
Trade and other payables	457,033	457,033	457,033	-	-	-
Total	**12,124,733**	**14,882,648**	**457,033**	**787,569**	**787,569**	**12,850,477**

The group continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

2.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. 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).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2013 and 2012.

	Level 1	
	2013	2012
	€	€
Assets		
Available-for-sale financial assets		
- Equity securities	**415,337**	451,325
- Debt securities	**911,765**	554,500
Total assets	**1,327,102**	1,005,825

2. **Financial risk management** - continued

2.2 Fair value estimation - continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise investments classified as available-for-sale.

The fair value of non-current borrowings is based on amortised cost representing proceeds received net of transaction costs incurred. The amortisation of transaction costs is calculated using the effective yield method.

At 31 December 2013 and 2012 the carrying amounts of other financial instruments, comprising cash at bank, receivables, payables and accrued expenses 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.

2.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the 6.75% bonds.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The board of directors monitor the return on capital, which the Company defines as the profit for the year divided by total equity. The board of directors also monitors the level of dividends to ordinary shareholders.

3. **Critical accounting estimates and judgments**

Estimates and judgments 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 judgments 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. Investment property

	Land and buildings	
	2013	2012
	€	€
Year ended 31 December		
At beginning and end of year	**3,847,529**	3,847,529
Gains from changes in fair value (Note 11)	**702,471**	-
	4,550,000	3,847,529
At 31 December		
Cost	**2,402,425**	2,402,425
Accumulated fair value gains	**2,147,575**	1,445,104
Net book amount	**4,550,000**	3,847,529

Fair valuation of investment property

During the financial year ended 31 December 2013, the directors commissioned an independent firm of architects to carry out a market valuation of the Company's investment property as at that date, by considering the aggregate of the estimated cash flows expected to be received from renting out the property over a defined period, residual value of the building following lapse of the rental period and value of the land. The directors have approved the valuation and used it as a basis in determining the fair value of the Company's immovable property at 31 December 2013.

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 Company and the lessee, and the remaining economic life of the property.

The Company 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 Company's investment property comprises an office block and retail space leased out to third parties and also includes the Company's head office. All the recurring property fair value measurements at 31 December 2013 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company'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 2013.

4. Investment property - continued

A reconciliation from the opening balance to the closing balance of investment property 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 property 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 Company which is derived from the Company's financial systems and is subject to the company'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 report is appropriate, the valuation report is recommended to the Audit Committee. The Audit Committee considers the valuation report 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 valuation and reports to the Audit Committee on the outcome of this assessment.

Valuation techniques

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

4. Investment property - 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 2013 €	Valuation technique	Significant unobservable input	Range of Unobservable inputs €
Current use as office premises	2,000,000	Capitalised rentals approach	Rental streams	Rental value p.a. of €400K and applying discount rates of 7% to 9%
	1,250,000	Replacement cost approach	Development cost per square metre	€500
	1,300,000	Sales comparison approach	Sales price per square metre	€2,500

The current use of the investment property of the Company is deemed to constitute the highest and best use taking cognisance of the size and location of such property.

Rental agreements

On 6 September 2000, the Company leased out part of its investment property to a group company for an initial period of 16 years.

During 2012, a new lease agreement was concluded with a third party for a period of three year commencing on 1 April 2013. The term is automatically renewed for a further period of five years from 10 October 2012. During 2013, a tenant previously occupying two floors and the penthouse vacated the building and new agreements with different tenants were finalised for the penthouse for the period from 1 December 2013 to 30 November 2016, renewable for further one year periods and from 1 June 2014 to 31 May 2017 for one of the main floors and from 01 April 2014 to 31 March 2017 for another floor.

4. **Investment property** - continued

Non-cancellable operating lease rentals arising from investment property leased out to a group company and to third parties are receivable as follows:

	2013	2012
	€	€
Less than one year	**215,707**	222,227
Between one and five years	**854,961**	286,576
	1,070,668	508,803

During the year ended 31 December 2013, €223,747 (2012: €147,137) was recognised as rent receivable in profit or loss in respect of operating leases.

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

		Securities	
	Debt	**Equity**	**Total**
	€	€	€
At 1 January 2012	-	422,858	422,858
Gains from changes in fair value (Note 11)	-	28,467	28,467
Additions	554,500	-	554,500
At 31 December 2012	554,500	451,325	1,005,825
At 1 January 2013	554,500	451,325	1,005,825
Gains from changes in fair value (Note 11)	7,265	42,312	49,577
Additions	350,000	-	350,000
Disposals	-	(78,300)	(78,300)
At 31 December 2013	**911,765**	**415,337**	**1,327,102**

The Company holds investments in equities (HSBC Bank Malta plc and Bank of Valletta plc) and investments in debt securities (Izola Bank Ltd, IHI Investments plc, Mediterranean Bank plc and Cars International Ltd). During the year ended 31 December 2013, the investments in equities registered an increase (2012: an increase) in fair value.

Available-for-sale financial assets have been earmarked to build up the Sinking Fund Reserve (Note 12).

6. Loans and receivables

	2013 €	2012 €
At beginning of the year	**7,559,128**	8,164,504
Advances	**654,548**	347,417
Repayments	**(857,840)**	(952,793)
At end of year	**7,355,836**	7,559,128
Non-current	**6,603,853**	6,961,696
Current (Note 7)	**751,983**	597,432
Total	**7,355,836**	7,559,128

Loans and receivables relate to balances due by group companies, earned interest at 7.5% (2012: 7.5%) and are secured by:

(i) 31% of the balances are covered by pledges on equity securities of associated undertakings having underlying property investments;
(ii) 14% of the balances are covered by pledges on trade and other receivables, inventories and cash and cash equivalents held by the borrowers as well as other guarantees granted by a group company;
(iii) 5% of the balances are covered by special hypothecs over immovable property;
(iv) The rest of the balances are covered by guarantees issued by group companies and pledges over trade and other receivables and fixed assets owned by the group;

7. Trade and other receivables

	2013 €	2012 €
Current		
Bills of exchange receivable	**607,786**	1,062,471
Loans due by group companies (Note 6)	**751,983**	597,432
Amounts due by group companies	**1,290,815**	954,234
Other debtors	**8,892**	75,032
Prepayments and accrued income	**30,222**	20,479
	2,689,698	2,709,648
Less non-current portion: Bills of exchange	**(213,960)**	(484,091)
	2,475,738	2,225,557

	2013 €	2012 €
The non-current bills of exchange mature as follows:		
Later than 1 year and no later than 5 years	**213,960**	484,091
Non-current portion: Bills of exchange	**213,960**	484,091

United Finance p.l.c. entered into an agreement to factor bills of exchange payable to its immediate parent company, United Automobile Limited ("UAL") with right of recourse to UAL. These bills of exchange are, in the first instance, signed by the customers of UAL as evidence of the acceptance of their indebtedness towards UAL, and are then endorsed by UAL to United Finance p.l.c., which in turn is entitled to claim payment of the bills of exchange from the respective customers on their maturity. UAL derecognises these debts from its balance sheet since it passes the risks and rewards over these receivables to United Finance p.l.c. which has the ability to obtain the substantive benefits from such receivables, and is exposed to the risk of counterparty failure against UAL. On this basis, United Finance p.l.c. recognises such bills of exchange as receivables. Interest at 8.5% (2012: 8.5%) per annum is earned on bills of exchange acquired.

The loans due by group companies amounting to €751,983 (2012: €597,432) represent the short-term portion in respect of various loans advanced by the Company to the separate companies within the United Group totalling €7,355,836 (2012: €7,559,128) (Note 6). The loans to group companies are secured (Note 6), bear interest at 7.5% (2012: 7.5%) per annum and are repayable on demand.

Other amounts due by group companies bear interest at 7.5% per annum and are repayable on demand.

8. Other investments

At 31 December 2013, the Company held fixed term deposits with HSBC Bank Malta plc and Bank of Valletta plc maturing in February 2014, October 2014 and September 2016. Interest on these investments accrues at a rate of 1.25% to 2% per annum. The other investments have been earmarked to build up the Sinking Fund Reserve (Note 12).

9. Cash and cash equivalents

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2013	2012
	€	€
Cash at bank and in hand	**1,067,397**	1,190,532

10. Share capital

	2013	2012
	€	€
Authorised		
2,500,000 ordinary shares of €1 each	**2,500,000**	2,500,000
Issued and fully paid		
2,329,373 ordinary shares of €1 each	**2,329,373**	2,329,373

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

11. Other reserves

	2013	2012
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	**956,704**	956,704
Gains from changes in fair value (Note 4)	**618,174**	-
At 31 December	**1,574,878**	956,704
Fair value gains reserve in respect of available-for-sale investments		
At beginning of year	**68,349**	39,882
Gains from changes in fair value (Note 5)	**49,577**	28,467
Fair value released on disposal (Note 5)	**(21,862)**	-
At 31 December	**96,064**	68,349
Total fair value gains reserve	**1,670,942**	1,025,053

11. Other reserves -continued

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

12. Borrowings

	2013	2012
	€	€
Non-current		
Bonds	**11,523,147**	11,544,450

	2013	2012
	€	€
Proceeds	**12,000,000**	12,000,000
Bonds repurchased by the company	**(385,600)**	(332,300)
Bonds outstanding	**11,614,400**	11,667,700
Gross amount of bond issue costs	**(241,778)**	(241,778)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	**118,528**	88,654
Amortisation charge for the year	**31,997**	29,874
Accumulated amortisation at end of year	**150,525**	118,528
Unamortised bond issue costs	**(91,253)**	(123,250)
Amortised cost and closing carrying amount	**11,523,147**	11,544,450

On the 27 June 2008, the Company issued a Prospectus for the issue of 100,000 6.75% Bonds having a nominal value of €100 each, with an over-allotment option for a further 20,000 bonds. The issue is redeemable on any date between 30 June 2014 and 30 June 2016. The purpose of the issue was the re-financing of 40,000 6.75% Bonds of Lm100 each (€232.94) that were due for redemption on 31 October 2008. The 6.75% Bond 2014-2016 was fully subscribed and the over-allotment option exercised.

12. **Borrowings** - contined

Interest on the Bonds is payable annually in arrears, on 30 June of each year, the first payment was made on 30 June 2009.

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.

In accordance with the terms and conditions specified in the Prospectus, the Company has undertaken to commence the allocation of funds to a sinking fund with effect from the end of the financial year ending 31 December 2010. The value of the sinking fund sinking fund should be equivalent to at least 50% of the value of the outstanding Bonds in issue as at the redemption date, thus creating a cash reserve from its annual surpluses and repayments of outstanding intra-group loans, bills of exchange and lease repayments, sufficient to meet part of the redemption proceeds on the redemption date and/or a designated early redemption date.

Funds and investments allocated for the sinking fund are as follows:

	2013	2012
	€	€
Available-for-sale financial assets (note 5)	**1,327,102**	1,005,825
Other investment (note 8)	**670,379**	331,117
	1,997,481	1,336,942

In addition to the funds and investments earmarked to the sinking fund in the table above, the Company also purchased own Bonds amounting to €385,600 (2012: 332,300).

13. **Deferred tax**

	2013	2012
	€	€
Year ended 31 December		
At beginning and end of year	**461,700**	461,700
Charged to income statement (Note 19)	**84,297**	-
At end of year	**545,997**	461,700

Deferred taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2012: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 12% of the carrying amounts (2012: 12%). The deferred tax liabilities are mainly considered to be of a non-current nature.

The balance at 31 December represents:

	2013	2012
	€	€
Temporary differences on investment property	**545,997**	461,700

At 31 December the company had tax losses and unutilised group relief amounting to €131,995 (2012: €111,238) with a tax impact of €46,199 (2012: €38,934) against which future taxable income can be taken that has not been recognised within these financial statements due to the uncertainty arising on the realisation of the tax benefits.

14 Trade and other payables

	2013 €	2012 €
Current		
Other payables	**59,166**	14,223
Accruals and deferred income	**462,907**	442,810
	522,073	457,033

The amount due to the immediate parent Company is unsecured, interest free and repayable on demand.

15. Revenue

	2013 €	2012 €
Rental income from investment property	**223,747**	147,137
Bills interest receivable	**63,205**	96,147
Dividends and interest receivable on available-for-sale investments	**86,635**	32,274
Interest on loans and receivables due from group companies	**637,564**	651,733
Bank interest receivable	**7,794**	10,172
	1,018,945	937,463

During the year, 41% (2012: 28%) of total revenue was derived from third parties.

16. Interest payable and similar charges

	2013 €	2012 €
Interest payable on bonds	**784,280**	794,973
Amortisation of bond issue costs (Note 12)	**31,997**	29,874
	816,277	824,847

17. Expenses by nature

	2013 €	2012 €
Directors' emoluments	**24,337**	17,807
Management fees	**41,148**	41,148
Professional fees	**14,420**	16,146
Other expenses	**46,959**	31,094
Gain on sale of investments	**(21,862)**	-
Total administrative expenses	**105,002**	106,195

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2013 and 2012 relate to the following:

	2013 €	2012 €
Annual statutory audit	**6,000**	6,000
Tax and related services	**975**	800
Other services	**4,700**	6,325
	11,675	13,125

18. Directors' emoluments

	2013 €	2012 €
Fees	**24,337**	17,807

19. Tax expense

	2013 €	2012 €
Current tax expense	**6,067**	-
Deferred tax expense (Note 13)	**84,297**	-
	90,364	-

19. Tax expense - continued

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2013 €	2012 €
Profit before tax	**800,137**	6,421
Tax at 35%	**280,048**	2,247
Tax effect of:		
Expenses not deductible for tax purposes	**2,284**	5,343
Income subject to 15% withholding tax	**(14,351)**	-
Maintenance allowance claimed on related property	**(15,662)**	(10,300)
Exempt income	**(7,652)**	-
Unrecognised deferred tax movements	**7,265**	2,710
Differences attributable to tax rules applicable to immovable property	**(161,568)**	-
	90,364	-

20. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit for the year	**709,773**	6,421
Weighted average number of ordinary shares in issue		
Earnings per share	**€30.47**	€0.28

21. Cash used in operations

	2013 €	2012 €
Profit before income tax	**800,137**	6,421
Adjustments for:		
Amortisation of bond issue costs	**31,997**	29,874
Income on available-for-sale investments	**(86,635)**	(32,274)
Fair value gain on investment property	**(702,471)**	
Changes in working capital:		
Trade and other receivables	**(280,184)**	(42,986)
Trade and other payables	**65,040**	(8,073)
Cash used in operations	**(172,116)**	(47,038)

22. 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 Automobile Limited. The Company's ultimate parent company is United Group Limited. The registered office of both companies 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:

22. **Related parties** - continued

	Ultimate parent company		Immediate parent company			Other related parties		Total		
	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current account €	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current Account €
2013										
At beginning of the year	2,521,610	315,836	1,689,972	1,062,471	402,307	3,347,546	236,091	7,559,128	1,062,471	954,234
Amounts advanced	120,380	-	-	-	-	534,168	702,567	654,548	-	802,567
Interest receivable	-	197,953	-	-	159,088	-	280,523	-	-	637,564
Rent receivable	-	-	-	-	-	-	35,400	-	-	35,400
Management fees	-	-	-	-	-	-	(41,148)	-	-	(41,148)
Receipts from debtors in settlement of bills of exchange	-	-	-	(454,685)	-	-	-	-	(454,685)	-
Repayments	(300,000)	(50,000)	-	-	(140,000)	-	(1,465,642)	(300,000)	-	(1,655,642)
Transfers from long term to short term	-	-	-	-	-	(557,840)	557,840	(557,840)	-	557,840
At end of year	2,341,990	563,789	1,689,972	607,786	421,395	3,323,874	305,631	7,355,836	607,786	1,290,815

22. **Related parties** – continued

	Ultimate parent company		Immediate parent company			Other related parties		Total		
	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current account €	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current Account €
2012										
At beginning of the year	2,521,610	224,368	1,514,971	1,645,267	487,822	4,127,923	283,116	8,164,504	1,645,267	995,306
Amounts advanced	-	-	-	-	-	119,110	255,663	119,110	-	255,663
Funds advanced to acquire bills of exchange net of unearned interest	-	-	-	54,937	(3,551	-	-		54,937	(3,551
Interest receivable	-	221,468	-	-	140,410	-	289,856	-	-	651,734
Rent receivable	-	-	-	-	-	-	35,400	-	-	35,400
Finance fees receivable	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	(41,148)	-	-	(41,148)
Receipts from debtors in settlement of bills of exchange	-	-		(637,733)	-	-	-	-	(637,733)	-
Repayments	-	(130,000)	-	-	(47,374)	(952,793)	(533,490)	(952,793)	-	(710,864)
Transfers from short term to long term	-	-	175,001	-	(175,000)	53,306	(53,306)	228,307	-	(228,306)
At end of year	2,521,610	315,836	1,689,972	1,062,471	402,307	3,347,546	236,091	7,559,128	1,062,471	954,234

Year-end balances owed by and to related parties are disclosed in Notes 6, 7 and 14 to these financial statements.

Key management personnel compensation consisting of directors' emoluments have been disclosed in Note 18.

23. Dividends

On the 29 April 2014, the directors declared a net dividend of €75,000 (2012: €NIL).

24. Statutory information

United Finance p.l.c. is a limited liability company and is incorporated in Malta.