
Financial Analysis Summary

14 June 2019

Issuer

United Finance p.l.c.
(C 26598)

United Finance p.l.c.
GB Buildings 2nd Floor,
28, Watar Street,
Ta'Xbiex XBX 1310
Malta

14 June 2019

Dear Sirs

United Finance p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (“**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to United Finance p.l.c. (the “**Company**”) and United Group Limited (the “**Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2016 to 31 December 2018 has been extracted from audited financial statements of the Company and Group for the three years in question.
- (b) The forecast data of the Group for the year ending 31 December 2019 has been provided by management of the Company.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Company and the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company's securities.

Yours faithfully,

A handwritten signature in black ink, appearing to read "E. Mohnani", written over a light grey circular watermark.

Evan Mohnani

Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc

The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – INFORMATION ABOUT THE ISSUER AND GROUP

1. KEY ACTIVITIES OF THE COMPANY

The principal activity of the Company is to carry on the business of a finance company within the United Group.

The Company does not itself carry on any trading activities apart from: (i) leasing to third parties and a Group company commercial space in a property located in Ta'Xbiex; and (ii) the raising of capital and advancing thereof to members of the United Group. Accordingly, the Company is economically dependent on the operations and performance of the United Group.

2. KEY ACTIVITIES OF THE GROUP

The origins of the Group go back to some 90 years ago when in 1926, Carmelo Gatt Baldacchino set up a small transportation company in Malta. The Group operates in four industry sectors - retail, automotive, property and catering.

Important events in the development of the Group's business during FY2018 are included hereunder:

- Development works on the new commercial property in Qormi, which was acquired in 2017, were progressing as planned and is scheduled for completion in 2019. The said property will offer *circa* 3,500m² of office space and car park facilities for lease.
- Following the incorporation of United Catering Company Limited in the latter part of 2017, the Group opened U&Co, an urban social café, at Pendergardens, St Julians. Furthermore, the Group entered into a promise of sale agreement to acquire and operate the Cosmana Navarra restaurant in Rabat, Malta. The acquisition was completed in February 2019 and operations commenced shortly thereafter.

3. DIRECTORS

United Finance p.l.c. is managed by a Board consisting of five directors entrusted with the overall direction and management of the Company.

Board of Directors

Carmen Gatt Baldacchino	Chairperson
Edmund Gatt Baldacchino	Chief Executive Officer
Simon Gatt Baldacchino	Non-Executive Director
James Bonello	Independent Non-Executive Director
Joseph F.X. Zahra	Independent Non-Executive Director

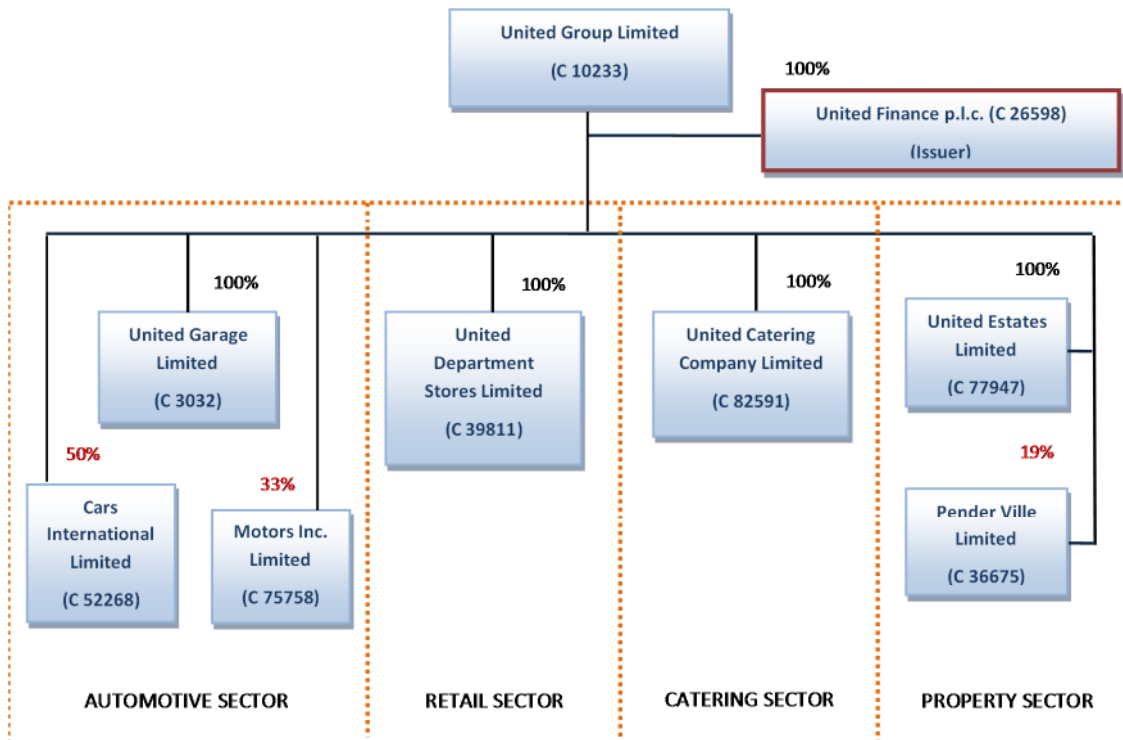
The parent company of the United Group is United Group Limited, and is managed by a Board consisting of seven directors who are responsible for the day-to-day management of the Group.

Board of Directors

Carmen Gatt Baldacchino	Chairperson
Edmund Gatt Baldacchino	Executive Director
Simon Gatt Baldacchino	Executive Director
Josianne Tonna	Non-Executive Director
Dolores Gatt Baldacchino	Non-Executive Director
Helga Ellul	Independent Non-Executive Director
Joseph F.X. Zahra	Independent Non-Executive Director

4. GROUP ORGANISATIONAL STRUCTURE

The current organisational structure of the Group is illustrated in the diagram below:



United Group Limited is the parent company of the United Group and is primarily focused on establishing and monitoring strategic direction and development of the Group.

5. GROUP OPERATIONAL DEVELOPMENT

The consolidated operations of the United Group comprise fashion retail, rental & leasing of vehicles, catering and income from third party rentals of office space at G.B. Buildings, Watar Street, Ta' Xbiex. An analysis of revenue, extracted from the consolidated audited financial statements of United Group Limited, is provided below.

United Group Revenue Analysis	FY2016 €'000	FY2017 €'000	FY2018 €'000
Retail	7,431	6,687	8,741
Automotive	2,127	2,312	2,702
Catering	-	-	165
Property	370	382	404
Total revenue	9,928	9,381	12,012

Source: Consolidated audited financial statements of the United Group for the years ended 31 December 2016 to 2018.

Turnover generated by each of Motors Inc. Limited and Pender Ville Limited, whereby the Group has a shareholding of 33.33% and 19.23% respectively, is not consolidated on a line-by-line basis and therefore has not been included in the above analysis. Results of companies that are not subsidiaries of the Group are accounted for in the income statement below the operating profit line as 'share of results of associates and jointly controlled entities'.

5.1 RETAIL

5.1.1 History and Business

The United Group of Companies has been operating in the retail industry since 2005 and through a number of outlets retails a number of international brands including Debenhams, Oasis, MAC Cosmetics.

The Company operates two Debenhams stores under franchise situated at The Point Shopping Centre, Sliema and Main Street Shopping Complex, Paola. Debenhams' key product categories include womenswear, menswear, kidswear, homeware and beauty.

The key objective of the Group for its retail operations continues to be strengthening recognition of each of its brands within their respective target markets, enhance revenue growth and maintain efficiency at the operational level. At the same time, the Directors will continue to explore opportunities to invest in other retail concepts that offer features that are attractive to the Group in terms of benefits from possible synergies and revenue expansion.

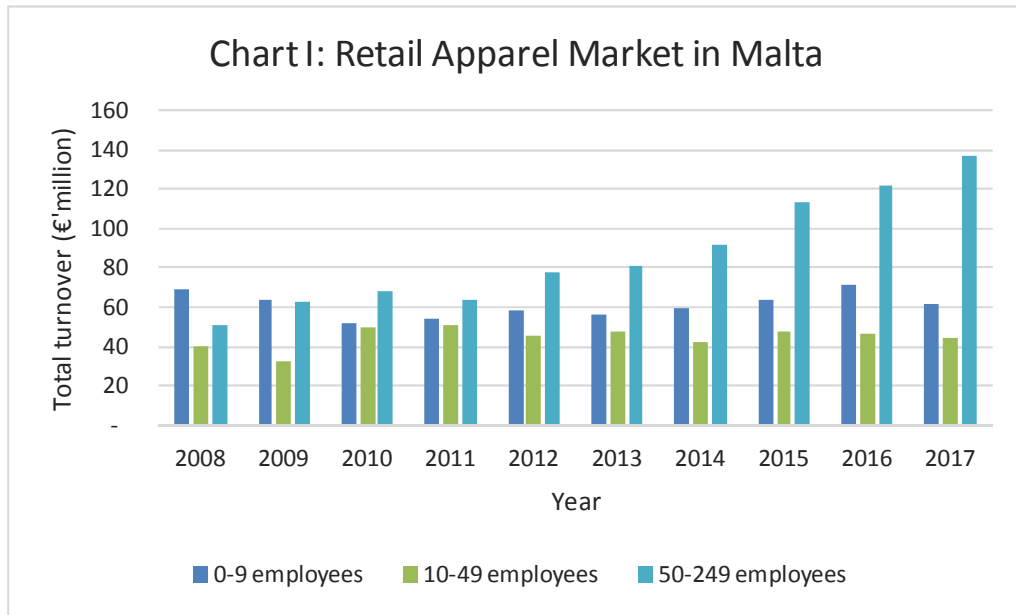
5.1.2 Market Overview

Data in relation to the size of the apparel market in Malta is not published. Notwithstanding, an estimate of the retail store market has been derived from data obtained from the National Statistics Office of Malta (the latest available information relates to calendar year 2017). Data with respect to online sales generated in Malta is not available and therefore is excluded from the analysis below.

The table below sets out statistics in relation to sales of apparel (excluding textiles, footwear and leather goods) by retail outlets in Malta. The information has been analysed by size of outlet on the basis of the number of staff employed by a retail store.

Turnover of Apparel Retail Stores in Malta											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17
0-9 employees											
Total turnover (€'million)	69	63	52	54	59	56	60	63	71	62	-1.2%
No. of outlets (units)	703	704	666	673	674	655	670	628	674	655	
Average turnover (€'million)	0.10	0.09	0.08	0.08	0.09	0.09	0.09	0.10	0.11	0.09	
Year-on-year growth		-9%	-13%	2%	10%	-2%	3%	13%	5%	-10%	
10-49 employees											
Total turnover (€'million)	40	33	50	51	45	48	42	47	47	44	1.1%
No. of outlets (units)	19	17	28	29	29	28	26	33	33	32	
Average turnover (€'million)	2.11	1.92	1.77	1.76	1.56	1.71	1.63	1.43	1.42	1.39	
Year-on-year growth		-9%	-8%	-1%	-11%	9%	-4%	-12%	-1%	-2%	
50-249 employees											
Total turnover (€'million)	51	63	68	64	78	81	91	113	121	137	11.6%
No. of outlets (units)	8	11	12	13	14	14	14	15	15	16	
Average turnover (€'million)	6.38	5.69	5.64	4.92	5.55	5.78	6.52	7.54	8.09	8.54	
Year-on-year growth		-11%	-1%	-13%	13%	4%	13%	16%	7%	6%	
Total Turnover (€'million)											
Total turnover (€'million)	160	159	169	169	182	185	193	224	239	243	4.7%
Year-on-year growth		-1%	7%	0%	8%	2%	5%	16%	7%	2%	

Source: National Statistics Office Malta (NACE 47.71 data)



During 2008 to 2017, the average total number of outlets amounted to 711 units (2008 – 2016: 712 units). During 2017, the total number of outlets decreased to 703 units compared to 722 units in 2016. This decline has been recorded in the small stores category (0-9 employees), whereas the other categories remained broadly unchanged.

Furthermore, consumer spending has also changed and shows a preference towards the larger stores. In fact, in the period 2008 to 2017, smaller outlets registered a compounded annual decrease in turnover of 1.2%, while the larger outlets recorded a compounded annual growth rate in turnover of 11.6%. It is estimated that the retail arm of the United Group had a market share of 2.8% in 2017 (2016: 3.1%), which is based on the annual sales figure of €6.7 million (2016: €7.4 million).

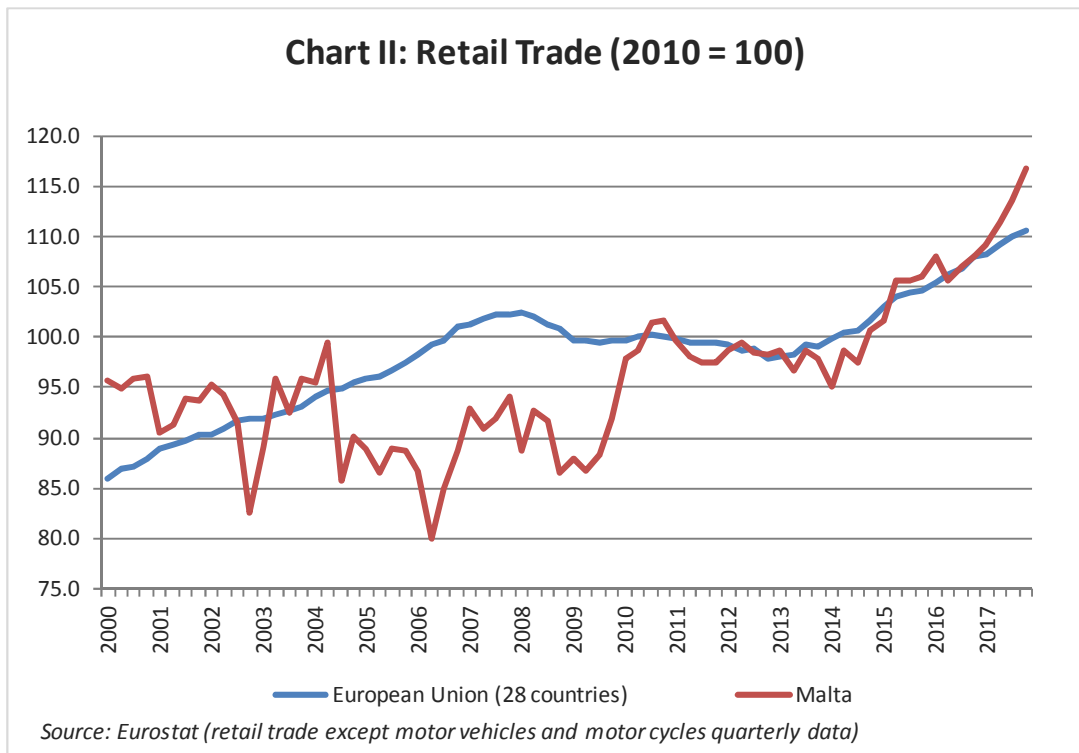


Chart II above provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2010 being the base year = 100). According to the EU trend line above, retail trade increased at a steady pace till early 2008, which was followed by a decline that lasted until mid-2013. Thereafter, the EU retail sector experienced a constant rate of growth and has now reached a level of 8 percentage points above the pre-financial crisis high (Q1 2008).

During the 17 years under review, retail activity in Malta increased by almost 22 percentage points and since Q4 2016 has performed better than the EU average. Further analysis shows that between the years 2004 and 2009, the Maltese retail sector lagged behind the EU average. Post 2009, retail sales generated in Malta recovered to some extent while the EU average reflected lower activity levels. From 2010 to 2016, the Maltese retail sector maintained a similar trajectory when compared to the EU average.

5.1.3 Trend Analysis

Stiff competition continues to be prevalent in the local market, both from local retailers as well as from online sales. Given that the Group's brands, particularly Debenhams, are top international brands in the fashion retail sector, the Directors are confident that the Group's outlets can compete well for market share in Malta.

5.2 AUTOMOTIVE

5.2.1 History and Business

The companies forming part of this segment are primarily engaged in: (i) the importation and servicing of motor vehicles and the sale of parts and accessories; and (ii) car rental and leasing service.

The Group has been active in the car dealership business since 1982 representing Opel and Saab brands locally, and in 2011 the Group, through Cars International Limited (“CIL”), merged its car dealership with the operations of Easysell Kia (Malta) Limited. In September 2016, CIL merged its operations with that of Pater Group via the creation of a new entity, Motors Inc. Ltd (“MIL”). As a result of this merger, United Group today owns 33.33% of MIL, which operates a multi-brand dealership for KIA, Opel, DFM, Alfa, Jeep, Fiat, Iveco and Hyundai. Through the afore-mentioned merging of business interests, MIL is benefiting from a more cost-effective and efficient operational structure, through economies of scale, and thereby providing better customer service.

The United Group also operates the car rental business through United Garage Limited. This company has been the franchisee of Hertz since 1961, making it the oldest European franchisee of this international car-hire brand since its inception. The United Group of Companies offers a variety of services and products relating to rental and leasing of vehicles and owns one of the largest modern fleets in Malta. The company has also over the years expanded its offering and is now the multi-brand franchise operator of the whole Hertz brand portfolio consisting of Hertz, Firefly, Thrifty and Dollar.

5.2.2 Market Overview – Vehicle Rental

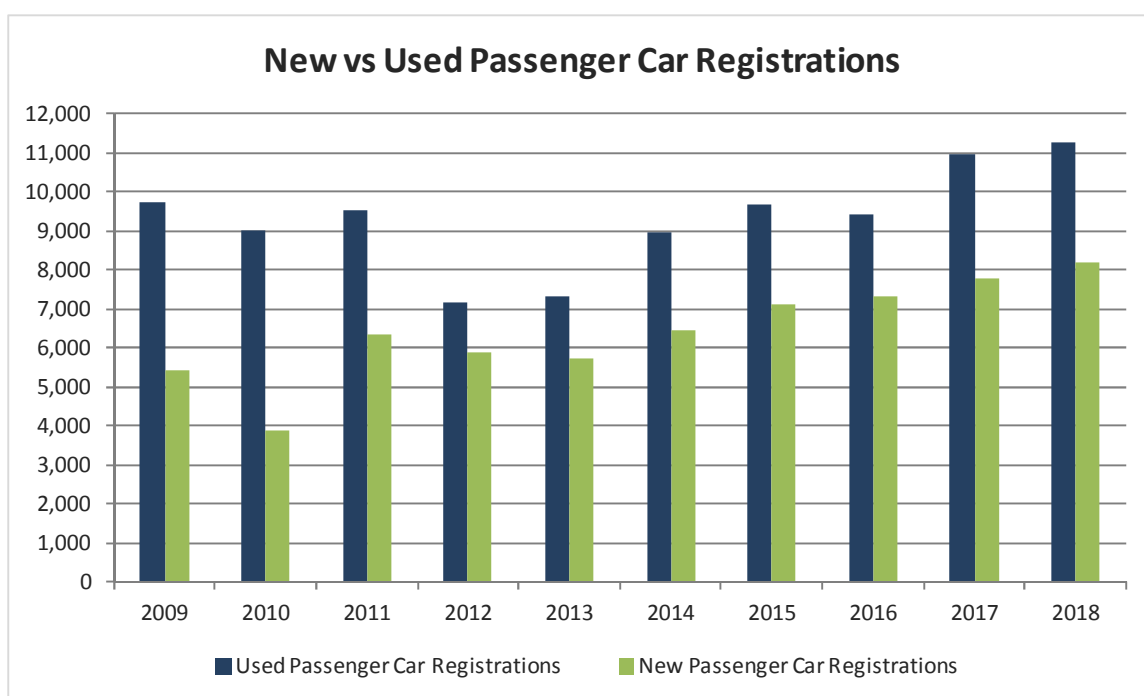
Competition amongst car rental industry participants is intense and continues to be primarily based on price, vehicle availability and quality, service, reliability, rental locations and product innovation. Price has also continued to be more important in recent years since tourists visiting Malta are increasingly more independent in decision-making and are price sensitive.

The Directors believe that the reputation of the Hertz brand and the recent introduction to the local market of the Firefly and Dollar/Thrifty brands will enable the Group to better compete across multiple market segments and thereby improve its market share.

5.2.3 Market Overview – Importation of Vehicles

Local market

Over the years the automotive sector in Malta has become highly competitive with a wider range of new motor vehicle franchises and models imported at competitive prices. In addition, the used car import market has grown substantially as evidenced by statistics published by the National Statistics Office Malta and which are included in the table below. During the past decade, registered passenger cars in Malta increased by 71,126 vehicles, from 229,016 in 2009 to 300,142 in 2018, which is equivalent to a compound annual growth rate of 3.05%.



As shown in the above chart, the market has been inundated with substantial imports, particularly in terms of used cars from the United Kingdom, at the expense of imports of new cars. In 2018, the registration of used cars amounted to 11,304, an increase of 3.2% when compared to 2017 (10,953 used passenger car registrations). In comparison, 8,175 new vehicles were registered in 2018, an increase of 5.1% from a year earlier (2017: 7,776 new passenger car registrations).

Market share of MIL

The market share of 'new car registrations in Malta' of MIL in 2018 is estimated at 16.36% (FY2017: 15.73%). The Group expects the market share of any particular brand to vary from year to year, due to factors such as the quality of the current models, pricing competitiveness and exchange rates. However, on a combined basis, the varied mix retailed by MIL should enable it to maintain a consistent overall market share on an annual basis.

5.2.4 Trend Analysis

In the car hire and leasing market, the United Group will continue to leverage its experience as franchisee of Hertz for more than 50 years in order to exploit further opportunities arising from the tourism market, evolving requirements from holiday makers and corporate client requirements. The local tourism sector is currently performing at record levels and as such, the Group is focused to reflect same in its car rental business.

Trends in vehicle sales in Malta have been fairly consistent over the past few years, and are expected to remain as such in the near term. Motors Inc. is well positioned to capitalise on the opportunities in this sector and is one of three main car importers on the island.

New vehicle model launches by the brand companies augur well for the future trading prospects. Such prospects, together with increased marketing and new services being offered, including the option for clients to purchase vehicles on hire purchase terms, should significantly improve the company's competitive edge in the local market.

5.3 PROPERTY

5.3.1 History and Business

The United Group owns a six storey commercial building known as GB Buildings and located in Ta' Xbiex, Malta. The property has a net floor area of 2,510m² and comprises a showroom at ground floor and basement levels, and offices in the overlying four floors.

GB Buildings is fully leased to third parties, except for one floor which is occupied by the Group. Other than the lease contract for the ground floor showroom which expires in 2035, the lease agreements are automatically renewed annually unless otherwise advised by the respective lessees. The carrying value of the property as at 31 December 2018 is €5.80 million (FY2017: €4.69 million). The uplift in fair value of the property was established following a valuation exercise carried out by an independent firm of architects.

In 2018, United Group continued developing the site measuring *circa* 1,000m² in Qormi. On completion, the commercial property will offer office space spread over 4 floors with ample parking facilities. The Group expects the development to be completed and available for lease by end 2019. As at 31 December 2018, the carrying value of the subject property amounted to €3.05 million (FY2017: €1.60 million).

The United Group has an interest in Pendergardens located in St Julians, Malta, through the ownership of 19.23% of the equity capital of Pender Ville Limited. With reference to the annual audited financial statements of Pendergardens Developments p.l.c. (the operating subsidiary of Pender Ville Limited) for the financial year ended 31 December 2018, works on Block 17 were completed at the end of October 2018, while finishing works on Towers I & II are expected to be completed by the end of June 2019. Furthermore, the public car park initiated operations during 2018 with over 320 car spaces. Revenue generated by Pender Ville Limited in 2018 amounted to €12.6 million (FY2017: €11.8 million).

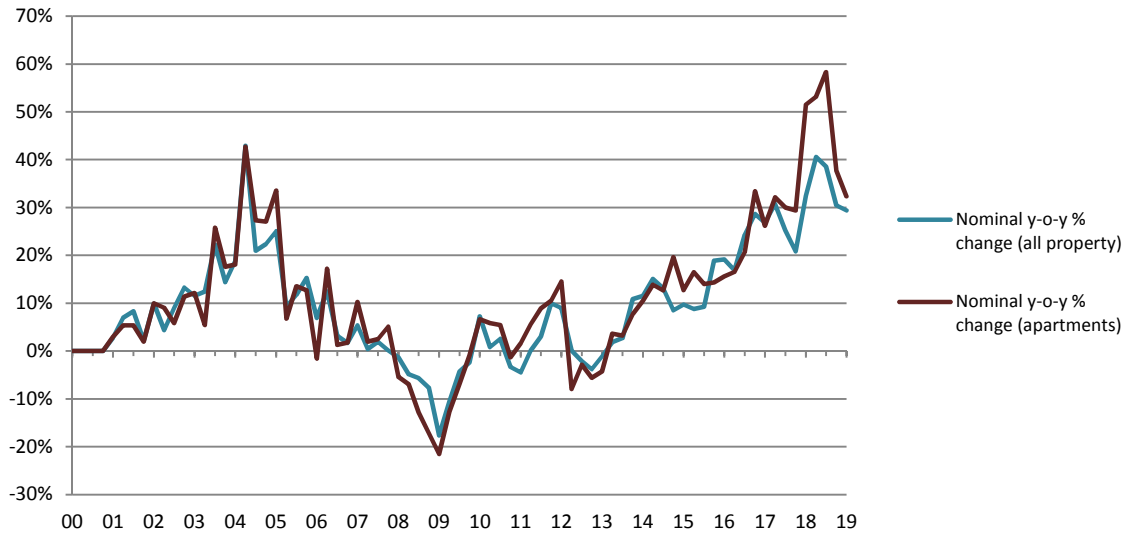
In addition to the residential units, Pendergardens includes the development of a commercial area (consisting of a retail podium under Blocks 16 and 17 and a Business Centre in Towers I & II). By 31 December 2018, seven lease agreements were signed for four retail units, four and a half floors of office space and an area earmarked for a wellness centre.

5.3.2 Market Overview

Property prices of residential property in Malta increased by 10.8% in the 12 months to the end of March 2019 compared to a year earlier (see Chart I below), mainly due to a 15.3% increase in prices of terraced houses. This positive trend has been witnessed for just less than six years - during which property prices registered an increase of 77.9% (Q2 2013 to Q1 2019) – primarily due to a strong

economy and a robust labour market (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).¹

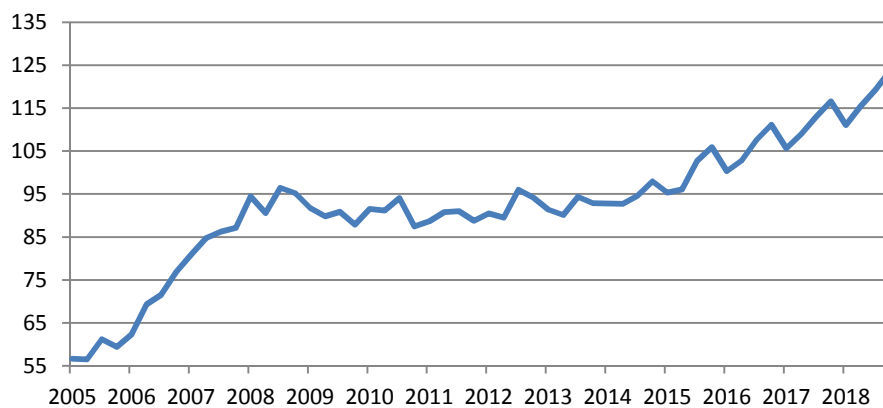
CHART I: Change in Property Prices



Source: Central Bank of Malta

Eurostat’s House Price Index for Malta – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q4 2018 and shows that said prices increased by 6.2% compared with the same quarter of 2017 (vide Charts II below).

CHART II: Malta House Price Index



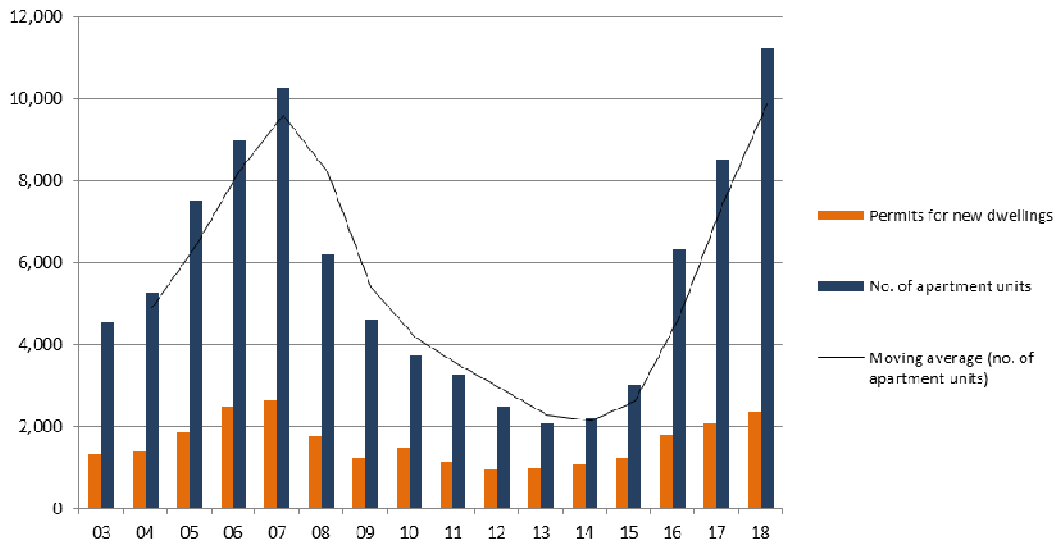
Source: Eurostat

The percentage change of total permits peaked in 2016 at 90.2%, and thereafter increased by 30.8% and 31.2% in 2017 and 2018 respectively. During 2018, the number of permits issued by the Planning

¹ Central Bank of Malta, Property Price Index

Authority increased to 12,855 from 9,822 recorded during 2017, an increase of 3,033 permits over the prior year. The increase in permits issued in 2018 was mostly driven by the largest residential category, namely apartments, which accounted for 87.0% of total permits granted.

CHART III: Development Permits for Dwellings



Source: Planning Authority

The gross value added (GVA) from the construction industry rose by 10.3% in 2018 (in nominal terms), from €361.7 million in 2017 to €398.8 million in 2018. Over the past 5 years (2014-2018), GVA from construction increased at a CAGR of 7.3%.²

Commercial Property

National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta’s highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects presently being developed and others earmarked to commence in the near future.

² Malta National Statistics Office (NSO)

5.3.3 Trend Analysis

GB Buildings is at present fully occupied. As a result, management is primarily involved in its upkeep in order to retain current tenants and attract prospective clients at better rates in the eventuality of expiring lease agreements. Due to its ideal location and good demand for commercial space in the Sliema – Ta' Xbiex area, management is optimistic that full occupancy can be retained in the foreseeable future.

With respect to operations at Pendergardens, there is active demand for the various units on offer, and is presently in negotiations with various interested parties on the remaining available office and retail areas. To date, sales tempo for the available apartments in Phase II of the project is in line with budgeted figures and expectations, and management is confident that sales will progress in accordance with projected targets.

5.4 CATERING

5.4.1 Business

Through its newly formed subsidiary in 2017 - United Catering Company Limited, United Group started operations of its first establishment 'U&Co' at Pendergardens, St Julians. The establishment is spread over two floors, has an outside area and is served by the new public car park that was inaugurated in February 2018. The U&Co is being marketed as a social café/casual diner - a concept introduced to counter the digital revolution where customers can meet and communicate face-to-face. The establishment can cater for up to 120 customers and is expected to appeal to a broad spectrum of customers. Depending on the level of success of U&Co, the Directors plan to further expand the Group's catering operations in the short to medium-term, by opening a number of new outlets in other key areas in Malta.

In April 2019, the Group acquired the Cosmana Navarra restaurant in Rabat, Malta, and initiated operations shortly thereafter.

6. BUSINESS DEVELOPMENT STRATEGY

The United Group continues to believe in diversification not only by way of a business strategy but also as a risk management policy for the benefit of all its stakeholders. The Group has evolved at a relatively rapid pace over the last years and has diversified its operations from its core automotive business to investments in fashion retail, property and lately, in catering. Such investments were executed through the development of new operations as well as through strategic joint ventures with well-established business partners that share and complement the Group's core business values. The Group's strategy is to consolidate and grow market share of its current business portfolio, and shall maintain its on-going pursuit for new, prudent and sustainable investment and business opportunities.

To sustain business growth and competitiveness, the Group is continuously streamlining its organisational structure to improve efficiency and enhance through the recruitment of professional management and strict cooperate governance, its strategic focus at operational level.

7. MAJOR ASSETS OWNED BY THE GROUP

The United Group is the owner of a number of properties and financial assets which are included in the consolidated balance sheet under the headings: 'investment property' and 'equity investments at fair value through other comprehensive income' (previously accounted for under the heading 'available-for-sale financial assets') as follows:

United Group Major Assets	FY2016 €'000	FY2017 €'000	FY2018 €'000
GB Buildings (<i>note 1</i>)	4,685	4,685	5,800
Other immovable properties (<i>note 2</i>)	1,329	1,637	3,089
Available-for-sale financial assets	417	447	
Equity investments at FVTOCI (<i>note 3</i>)			379
	6,431	6,769	9,268

Note 1: Property is held directly by United Finance p.l.c.

Note 2: In 2017/18, other immovable properties comprises a property being development into a business centre. Book value is of €3.0 million and is scheduled for completion by end 2019.

Note 3: Equity investments at fair value through other comprehensive income

Source: Consolidated audited financial statements of the United Group for the years ended 31 December 2016 to 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to *inter alia* the recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 was adopted without restating comparative information. Accordingly, on 1 January 2018 (the date of initial application of IFRS 9), 'available-for-sale financial assets' with a carrying value of €447,248 were reclassified to 'equity investments at fair value through other comprehensive income'.

PART 2 – GROUP PERFORMANCE REVIEW

The financial information provided hereunder includes projections which relate to events in the future and are based on assumptions which the United Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

8. FINANCIAL INFORMATION – THE ISSUER

The following financial information is extracted from the audited financial statements of the Issuer for each of the years ended 31 December 2016 to 31 December 2018. The forecasted financial information for the year ending 31 December 2019 has been provided by management of the Issuer.

United Finance p.l.c.				
Statement of Comprehensive Income	FY2016	FY2017	FY2018	FY2019
€'000	Actual	Actual	Actual	Forecast
Rental income from GB Buildings	370	382	404	411
Income receivable from financial assets	32	14	28	16
Interest receivable from Group companies	407	399	399	474
Bank and bills of exchange interest receivable	3	2	1	-
Total revenue	812	797	832	901
Interest payable and similar charges	(469)	(469)	(470)	(471)
Gross profit	343	328	362	430
Administrative expenses	(135)	(149)	(145)	(182)
Movement in fair value of investment property	-	-	1,115	-
Profit before tax	208	179	1,332	248
Taxation	(59)	(15)	(112)	-
Profit for the year	149	164	1,220	248
Other comprehensive income:				
Movement in fair value of financial assets	22	(29)	(69)	-
Total comprehensive income for the year	171	135	1,151	248

United Finance p.l.c.				
Cash Flow Statement	FY2016	FY2017	FY2018	FY2019
€'000	Actual	Actual	Actual	Forecast
Net cash from operating activities	(11)	(106)	560	67
Net cash from investing activities	282	(46)	28	16
Net cash from financing activities	332	(87)	(431)	(382)
Net movement in cash and cash equivalents	603	(239)	157	(299)
Cash and cash equivalents at beginning of year	467	1,070	831	988
Cash and cash equivalents at end of year	1,070	831	988	689

United Finance p.l.c.				
Statement of Financial Position	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19
€'000	Actual	Actual	Actual	Forecast
Assets				
Non-current	10,867	10,612	11,743	14,036
Current	2,779	3,090	3,030	817
Total assets	13,646	13,702	14,773	14,853
Equity and liabilities				
Equity	4,485	4,500	5,441	5,559
Liabilities				
Non-current	8,819	8,837	8,968	8,989
Current	342	365	364	305
Total liabilities	9,161	9,202	9,332	9,294
Total equity and liabilities	13,646	13,702	14,773	14,853

Revenue principally comprises income from rental of commercial space in GB Buildings, which is currently fully occupied, and interest receivable from Group companies on amounts due to the Issuer. In FY2018, total revenue amounted to €832,000 (FY2017: €797,000). After deducting interest payable of €470,000 (FY2017: €469,000), the Issuer generated a gross profit of €362,000 (FY2017: €328,000).

In 2018, a revaluation on the G.B. Buildings was carried out in line with IFRS requirements, resulting in an increase in fair value of €1,114,565. As a consequence, total comprehensive income in FY2018 was substantially higher over the prior year at €1,151,000 (compared to €135,000 achieved in FY2017).

In line with previous year's results, revenue in FY2019 is projected to amount to €901,000 (FY2018: €832,000), while gross profit is expected to amount to €430,000 (FY2018: €362,000). Total comprehensive income for FY2019 is expected to amount to €248,000 as compared to €1,151,000 in FY2018.

As at 31 December 2018, apart from the property (GB Buildings), total assets of the Issuer primarily included balances due from Group companies of €6.2 million (FY2017: €6.0 million), listed equity investments of €0.4 million (FY2017: €0.4 million), trade and other receivables totalling €1.4 million (FY2017: €1.7 million) and bank balances amounting to €1.0 million (FY2017: €0.8 million).

Following the adoption of IFRS 9 on 1 January 2018, balances due from Group companies were reclassified from 'loans receivable' to 'financial assets at amortised cost'; and listed equity investments were reclassified from 'available-for-sale financial assets' to 'equity investments at fair value through other comprehensive income'.

Trade and other receivables include *circa* €25,478 (FY2017: €38,026) in bills of exchange. Further to the transfer of the automotive business to Cars International Limited in June 2011, the United Group did not factor any bills of exchange, and therefore interest earned on bills of exchange has gradually decreased over the period under review. The remaining bills of exchange will be settled in 2019.

Total liabilities as at 31 December 2018 amounted to €9.3 million (2017: €9.2 million) and principally related to the €8.5 million 5.3% bonds 2023.

9. FINANCIAL INFORMATION – THE GROUP

The following financial information is extracted from the audited consolidated financial statements of United Group Limited (the “Group”) for the three years ended 31 December 2016 to 31 December 2018. The financial information for the year ending 31 December 2019 has been provided by Group management.

United Group Limited				
Statement of Comprehensive Income	FY2016	FY2017	FY2018	FY2019
(€'000)	Actual	Actual	Actual	Forecast
Fashion retail	7,431	6,687	8,741	8,652
Automotive	2,127	2,312	2,702	3,333
Catering	-	-	165	500
Property	338	350	370	377
Revenue	9,928	9,349	11,978	12,862
Other income	29	308	446	430
Direct costs and administrative expenses	(8,694)	(8,781)	(11,779)	(10,462)
EBITDA	1,231	876	645	2,830
Depreciation and amortisation	(785)	(812)	(972)	(2,125)
Share of results of associates & jointly controlled entities	539	378	2,159	900
Dividends receivable	1,244	1,210	60	60
Movement in fair value of investment property	-	-	1,115	-
Profit on disposal of properties & other assets	85	82	89	74
EBIT	2,314	1,734	3,096	1,739
Net finance costs	(692)	(734)	(845)	(1,438)
Profit before tax	1,622	1,000	2,251	301
Taxation	164	(5)	(111)	(80)
Profit for the year	1,786	995	2,140	221
Other comprehensive loss	(29)	(40)	(68)	-
Total comprehensive income for the year	1,757	955	2,072	221

United Group Limited				
Cash Flow Statement	FY2016	FY2017	FY2018	FY2019
(€'000)	Actual	Actual	Actual	Forecast
Net cash from operating activities	674	1,234	965	1,428
Net cash from investing activities	(2,342)	(2,397)	(2,058)	(1,137)
Net cash from financing activities	2,418	513	1,481	(1,538)
Net movement in cash and cash equivalents	750	(650)	388	(1,247)
Cash and cash equivalents at beginning of year	(1,219)	(469)	(1,119)	(731)
Cash and cash equivalents at end of year	(469)	(1,119)	(731)	(1,978)

United Group Limited				
Statement of Financial Position	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19
(€'000)	Actual	Actual	Actual	Forecast
Assets				
<i>Non-current</i>				
Property, plant and equipment	3,431	4,707	5,344	4,869
Investment property	6,014	6,321	8,889	12,092
Investments in associates & joint ventures	3,901	4,269	6,268	7,168
Leased assets				7,000
Available-for-sale financial assets	417	447	379	
Equity investments at FVTOCI				379
Deferred tax assets	216	225	225	225
Trade and other receivables	173	173	357	357
	<u>14,152</u>	<u>16,142</u>	<u>21,462</u>	<u>32,090</u>
<i>Current</i>				
Inventories	1,655	2,294	1,949	1,125
Trade and other receivables	1,279	1,647	1,796	1,300
Taxation	289	319	57	-
Cash and cash equivalents	1,651	1,222	1,895	689
	<u>4,874</u>	<u>5,482</u>	<u>5,697</u>	<u>3,114</u>
Total assets	<u>19,026</u>	<u>21,624</u>	<u>27,159</u>	<u>35,204</u>
Equity and liabilities				
Equity				
Called up share capital	25	25	25	25
Other reserves	2,833	3,345	6,835	6,835
Retained earnings	1,631	1,474	56	277
	<u>4,489</u>	<u>4,844</u>	<u>6,916</u>	<u>7,137</u>
Liabilities				
<i>Non-current</i>				
Borrowings and bonds	8,937	8,853	10,470	13,749
Other non-current liabilities	456	1,640	2,163	7,621
	<u>9,393</u>	<u>10,493</u>	<u>12,633</u>	<u>21,370</u>
<i>Current</i>				
Borrowings and bonds	2,965	3,172	3,062	2,887
Other current liabilities	2,179	3,115	4,548	3,810
	<u>5,144</u>	<u>6,287</u>	<u>7,610</u>	<u>6,697</u>
	<u>14,537</u>	<u>16,780</u>	<u>20,243</u>	<u>28,067</u>
Total equity and liabilities	<u>19,026</u>	<u>21,624</u>	<u>27,159</u>	<u>35,204</u>

Key Accounting Ratios	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Forecast
Operating profit margin (EBITDA/revenue)	12%	9%	5%	22%
Interest cover (times) (EBITDA/net finance cost)	1.78	1.19	0.76	1.97
Net profit margin (Profit after tax/revenue)	18%	11%	18%	2%
Earnings per share (€) (Profit after tax/number of shares)	72	40	87	9
Return on equity (Profit after tax/shareholders' equity)	40%	21%	31%	3%
Return on capital employed (Operating profit/total assets less current liabilities)	9%	6%	3%	10%
Return on assets (Profit after tax/total assets)	9%	5%	8%	1%

Source: Charts (a division of MeDirect Bank (Malta) plc)

During **FY2017**, the Group generated revenue amounting to €9.3 million (FY2016: €9.9 million) and an EBITDA of €0.9 million (FY2016: €1.2 million). Revenue derived from the retail division decreased by €0.7 million, from €7.4 million in FY2016 to €6.7 million in FY2017, whilst income from the automotive sector (comprising car rental and leasing) increased by €0.2 million from €2.1 million in FY2016 to €2.3 million. Rental income from property was unchanged at €0.3 million.

The year-on-year decrease in revenue was also reflected at profit before tax level, wherein FY2017 result amounted to €1.0 million as compared to €1.6 million registered in the prior year. Total comprehensive income decreased in FY2017 by €0.8 million, from €1.8 million in FY2016 to €1.0 million.

In **FY2018**, the Group's total revenue increased by €2.7 million (+29%), from €9.3 million in FY2017 to €12.0 million, primarily on account of an increase in revenue generated from the fashion retail sector (+€2.1 million y-o-y). The automotive sector also registered an increase of €0.4 million when compared to the prior year. Notwithstanding the substantial increase in turnover, there was a higher y-o-y increase in direct costs and other expenses, which thus resulted in a lower EBITDA when compared to FY2017 (y-o-y adverse variance of €0.2 million). The principal factors attributable to the decline in EBITDA comprise a €1.8 million increase in the purchase of goods for the fashion retail stores, and an increase in wages & salaries.

During FY2018, share of results of associates & jointly controlled entities was higher by €1.8 million, from €0.4 million in FY2017 to €2.2 million, which increase was primarily generated from the

operations of Pender Ville Limited. Also in FY2018, the fair value of G.B. Buildings was revised upwards by €1.1 million. Overall, total comprehensive income for FY2018 increased by €1.1 million, from €1.0 million in FY2017 to €2.1 million.

Revenue in **FY2019** is projected to increase by €0.9 million, from €12.0 million in FY2018 to €12.9 million, principally on account of expected increases in the automotive and catering sectors of €0.6 million and €0.3 million respectively. The anticipated increase in the catering sector is reflective of a full year's operating results as compared to 8 months in FY2018.

EBITDA is expected to increase from €0.6 million in FY2018 to €2.8 million primarily due to the effect of IFRS 16. As of 1 January 2019, the Group plans to adopt IFRS 16 which will result in a change in accounting treatment of operating leases. As such, leases from FY2019 onwards will not be included in direct costs and administrative expenses, but will be accounted for as 'depreciation on leased assets' and 'interest on leased liabilities'.

Total comprehensive income is projected to decrease from €2.1 million registered in FY2018 to €0.2 million, as share of results of associates & jointly controlled entities is expected to decrease from €2.2 million in FY2018 to €0.9 million. Furthermore, no uplifts in the fair value of property have been assumed for FY2019 (FY2018: gain of €1.1 million).

Total capital employed (being total assets less current liabilities) as at 31 December 2018 amounted to €19.5 million (FY2017: €15.3 million) and primarily comprised:

- Property, motor vehicles and other tangible assets amounting to €5.3 million (FY2017: €4.7 million);
- Investment property comprise GB Buildings valued at *circa* €5.8 million (FY2017: €4.7 million) and the commercial property currently being developed in Qormi valued at *circa* €3.1 million (FY2017: €1.6 million);
- Investments in associates & joint ventures consist of equity holdings in Motors Inc. Limited, Cars International Limited and Pender Ville Limited, totalling €6.3 million (FY2017: €4.3 million);
- Listed equities amounting to €0.4 million (FY2017: €0.4 million). On 1 January 2018 (the date of initial application of IFRS 9), 'available-for-sale financial assets' were reclassified to 'equity investments at fair value through other comprehensive income';
- Inventories and trade and other receivables amounting to €3.7 million (FY2017: €3.9 million); and
- Trade and other payables of €4.5 million (FY2017: €3.1 million).

Total assets as at 31 December 2019 are projected to increase to €35.2 million (from €27.2 million in FY2018), mainly on account of the acquisition of a restaurant in Rabat, Malta for the consideration of €0.95 million, the completion of the commercial property in Qormi (estimated to amount to €5.3 million) and the inclusion of leased assets of €7.0 million pursuant to IFRS 16 as further explained hereunder.

IFRS 16 - Leases

The Group adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated.

Accordingly, as of FY2019, the Group will need to recognise a right-of-use asset and a lease liability in the Consolidated Balance Sheet for the lease of premises and land currently treated as operating leases. With regard to the impact in the Consolidated Income Statement, the nature of the relevant expense will change from being an operating lease expense to depreciation and interest expense.

In the FY2019 consolidated balance sheet, apart from the increase in assets by €7.0 million, the impact of IFRS 16 should also result in non-current and current liabilities by €6.0 million and €1.0 million respectively.

Other than equity, the Group is principally financed through bank loans and debt securities, analysed as follows:

United Group Limited				
Net Borrowings	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19
(€'000)	Actual	Actual	Actual	Forecast
Net Borrowings				
Bank overdrafts (net of cash balances)	469	1,119	731	1,978
Bank loans	1,433	1,316	2,518	5,565
Other loans	-	-	-	-
	1,902	2,435	3,249	7,543
Bonds				
5.3% Unsecured Bonds 2023	8,349	8,368	8,388	8,404
	8,349	8,368	8,388	8,404
Net Borrowings	10,251	10,803	11,637	15,947

	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19
	Actual	Actual	Actual	Forecast
Gearing ratio (Net debt/net debt and shareholders' equity)	70%	69%	63%	69%

Source: Charts (a division of MeDirect Bank (Malta) plc)

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

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

Gearing (financial leverage) of the United Group has improved during the three financial years FY2016 – FY2018 from 70% to 63%. In FY2019, the Group's gearing position is expected to increase due to the additional bank loan required to develop the Qormi Business Centre. The Group's gearing level is thereafter projected to decrease gradually through the term of the Bond as operational performance improves and cash reserves are accumulated by the Group, in line with the original bond projections.

Management does not expect any other material changes in the Group's financial position as at the end of FY2019.

Variance Analysis

United Group Limited			
Income Statement	FY2018	FY2018	
(€'000)	Actual	Forecast	Variance
Fashion retail	8,741	8,106	635
Automotive	2,702	2,714	(12)
Catering	165	550	(385)
Property	370	360	10
Revenue	11,978	11,730	248
Other income	446	194	252
Direct costs and administrative expenses	(11,779)	(10,463)	(1,316)
EBITDA	645	1,461	(816)
Depreciation and amortisation	(972)	(996)	24
Share of results of associates & jointly controlled entities	2,159	950	1,209
Dividends receivable	60	60	-
Movement in fair value of investment property	1,115	-	1,115
Profit on disposal of properties & other assets	89	150	(61)
EBIT	3,096	1,625	1,471
Net finance costs	(845)	(929)	84
Profit before tax	2,251	696	1,555
Taxation	(111)	(53)	(58)
Profit for the year	2,140	643	1,497

As presented in the above table, the Group's revenue for FY2018 was higher than projected by €0.2 million, principally due to higher revenue generated from the fashion retail sector (+€0.6 million) which was diluted by a €0.4 million decrease in the catering business.

EBITDA was lower than forecast by €0.8 million, mainly due to an increase in direct costs and administrative expenses of €1.3 million, which was not anticipated by management. In contrast, share of profits of associates & jointly controlled entities (particularly Pender Ville Limited) was higher than expected by €1.2 million. Furthermore, an uplift in fair value of property amounting to €1.1 million was taken into account in FY2018 but was not reflected in the forecast figures. Accordingly, actual profit for the year was higher than projected by €1.5 million and amounted to €2.1 million (forecast: €0.6 million).

10. RELATED PARTY DEBT SECURITIES

United Group Limited owns 19.23% of the issued share capital of Pender Ville Limited. Through its wholly owned subsidiary, Pendergardens Developments p.l.c., Pender Ville Limited has the following outstanding debt securities listed on the Malta Stock Exchange:

Security ISIN	Amount Listed	Security Name	Currency
MT0000791203	15,000,000	5.50% Pendergardens Dev. Plc Secured Bonds 2020	EUR
MT0000791211	27,000,000	6.00% Pendergardens Dev. Plc Secured Bonds 2022	EUR

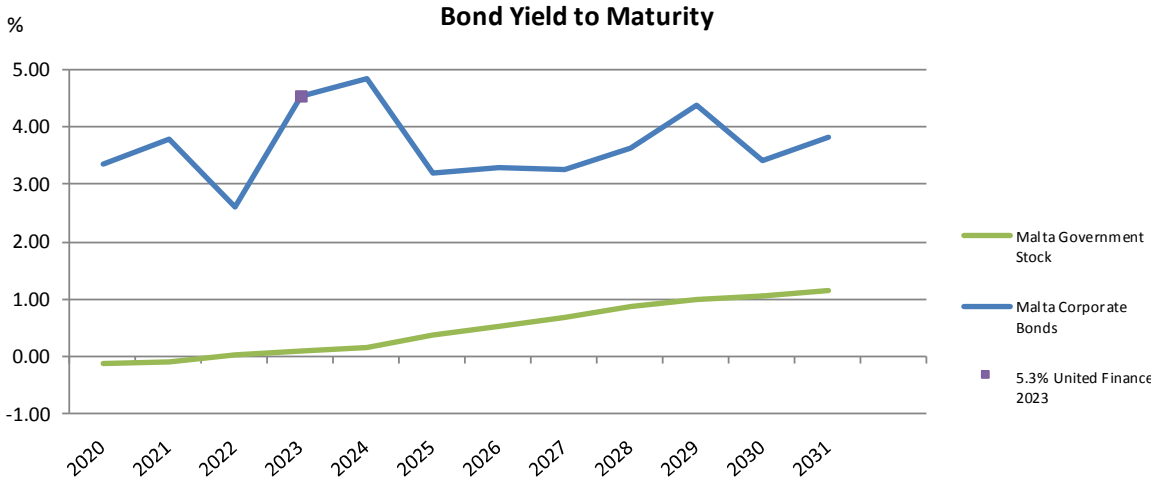
PART 3 - COMPARABLES

The table below compares the United Group and the Issuer's bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the United Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the United Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the United Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.36	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.60	1.23	80,052	25,712	48.95
4.25% Gap Group plc Secured € 2023	19,931,000	3.48	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.63	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.32	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.44	455,113	86,390	73.98

10 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc

10 June 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including apparel retail, cash hire & leasing and rental income.
Direct costs	Direct costs include inventory, labour expenses and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
EBIT	EBIT is an abbreviation for earnings before interest and tax.
Share of results of associates and jointly controlled entities	The United Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associates and jointly controlled entities'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include investment properties; property, plant & equipment; and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory, and cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.