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No. UFC110

COMPANY ANNOUNCEMENT

Publication of Financial Analysis Summary

Quote

The Company announces that the Financial Analysis Summary for 2021 is available for viewing hereunder or on the Company's website at www.unitedgroup.com.mt/financial-type/financial-reports.

Unquote

Godwin Spiteri
Company Secretary

22 June 2021

Financial Analysis Summary

22 June 2021

Issuer

United Finance p.l.c.

(C 26598)

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

United Finance p.l.c.
United Group of Companies
Pinto Business Centre
Level 4, Triq il-Mithna
Qormi QRM 3104

22 June 2021

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 in 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**" or "**Issuer**") 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 2018 to 31 December 2020 has been extracted from audited financial statements of the Company and Group for the three years in question.

(b) The forecast data of the Company and Group for the year ending 31 December 2021 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.

MZ INVESTMENT SERVICES

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,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

CONTENTS

PART 1 – INFORMATION ABOUT THE ISSUER AND GROUP

1. COMPANY'S KEY ACTIVITIES

The principal activity of the Company is to act as a finance company for 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. GROUP'S KEY ACTIVITIES

Until FY2020, the Group was involved in the management of two catering outlets located in St Julian's and Rabat, Malta. However, following a strategic review, the Directors decided to terminate the afore-mentioned catering operations with immediate effect.

Furthermore, the Group has ceased its retail operations in June 2021 mainly in consequence of the closure of Debenhams UK on 15 May 2021. Although the Debenhams stores in Malta have been operated independently from the UK under a franchise agreement, operations were nonetheless intrinsically tied to the UK company for the granting of the franchise as well as the supply of merchandise. Thus, the winding up of the UK company has resulted in the withdrawal of the franchise internationally. Accordingly, United Department Stores Limited has had to take the difficult decision to also wind up the local outlets of the Debenhams franchise.

In Q4 2020, the United Group completed the development of the Pinto Business Centre located in Qormi which comprises *circa* 3,400m^2 of office space spread over 5 floors with ample parking facilities.

Pursuant to the above, the United Group is principally engaged in the property and automotive sectors which are each described elsewhere in this report.

3. DIRECTORS AND SENIOR MANAGEMENT

3.1 BOARD OF DIRECTORS

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

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

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

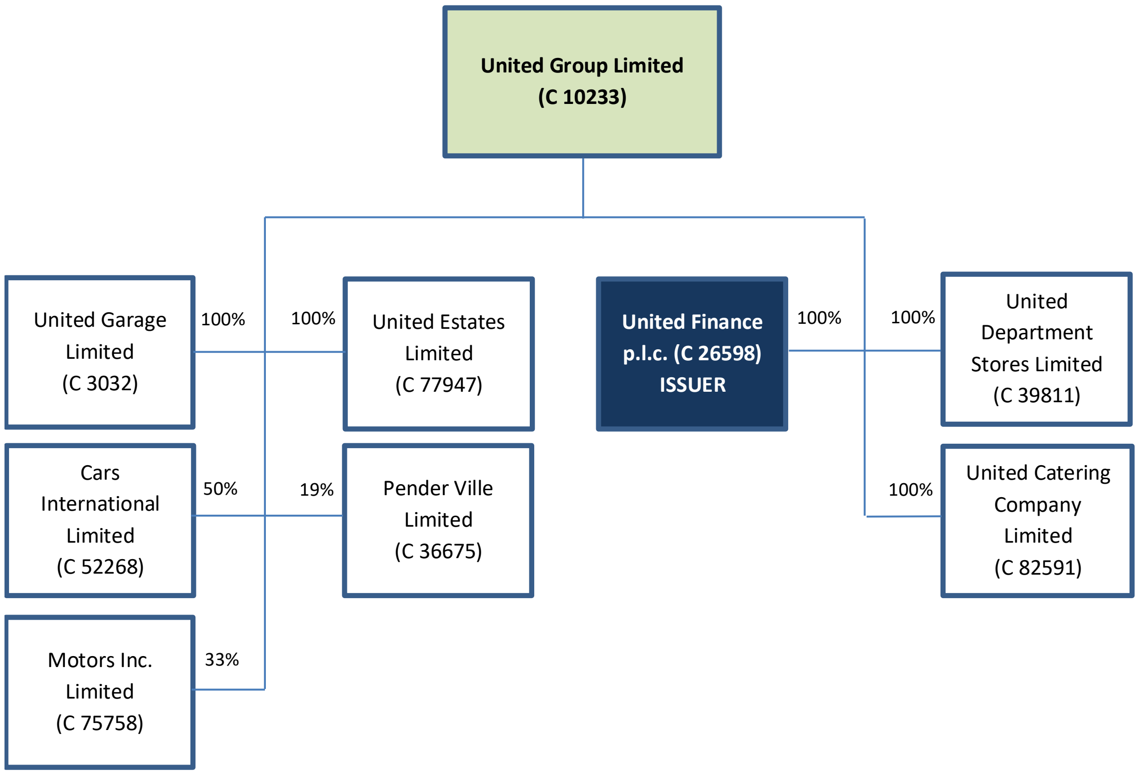
3.2 SENIOR MANAGEMENT

The day-to-day operations of the United Group are managed by the senior management team, which is composed of the following individuals:

Edmund Gatt Baldacchino	Chief Executive Officer
Simon Gatt Baldacchino	Chief Operating Officer
Karl Portelli	Group Financial Controller

4. GROUP ORGANISATIONAL STRUCTURE

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



5. GROUP OPERATIONAL DEVELOPMENT

The consolidated operations of the United Group comprise rental & leasing of vehicles and the ownership and management of commercial properties. The catering business (United Catering Company Limited) and fashion retail operations (United Department Stores Limited) were discontinued in FY2020 and FY2021 respectively.

5.1 AUTOMOTIVE

5.1.1 History and Business

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

The United Group 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 the multi-brand franchise operator of the whole Hertz brand portfolio consisting of Hertz, Firefly, Thrifty and Dollar.

In addition, the United Group owns 33.33% of Motors Inc. Ltd ("**MIL**") which operates a multi-brand dealership for KIA, DFM, Alfa, Jeep, Fiat, Iveco and Hyundai. MIL was incorporated in 2016 following the merging of car dealership operations of the United Group with Easysell Kia (Malta) Limited and Pater Group. Through the afore-mentioned merger, MIL is benefiting from a more cost-effective and efficient operational structure, through economies of scale, and thereby providing better customer service.

5.1.2 Trend Analysis

In March 2020, the World Health Organization declared COVID-19 a pandemic which directed governments and the Maltese authorities to impose various measures, including the temporary suspension of international travel and closure of hotels, which has materially impacted the car hire and leasing sector. There is continued uncertainty about the duration of the negative impact from COVID-19 and the length and scope of travel restrictions and business closures. As such, significant headwinds are likely to persist for a period of time.

Beyond COVID-19, 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.

Sales of motor vehicles have also been impacted by the pandemic outbreak and it is still fairly uncertain as to when the economy and the motor vehicle sector will return to normality. Notwithstanding, Motors Inc. is expected to remain one of the top three car importers in Malta and is therefore well positioned to capitalise on any opportunities that may arise from time-to-time in this sector.

New vehicle model launches by 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 enable the company to at least maintain its competitive edge in the local market.

5.2 PROPERTY

5.2.1 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 2,510m^2 and comprises a showroom at ground floor and basement levels, and offices in the overlying four floors.

The occupancy at GB Buildings is at 85% and all leases are with third parties. The carrying value of the property as at 31 December 2020 is €5.8 million (FY2019: €5.8 million).

The United Group also owns the Pinto Business Centre located in Qormi and comprises *circa* 3,400m^2 of office space spread over 5 floors with ample parking facilities. Development of the property was completed in Q4 2020. As at the date of this report, the Group has concluded lease agreements for all the property except for the third floor (that is, 80% leased).

As at 31 December 2020, the carrying value of the subject property amounted to €10.1 million (FY2019: €6.5 million). The y-o-y movement of €3.6 million represents improvements of €2.3 million made during the year and an increase of €1.3 million in the fair value of the property following a valuation exercise carried out by an independent firm of architects.

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 financial analysis report dated 11 June 2021 of Pendergardens Developments p.l.c. (the operating subsidiary of Pender Ville Limited), development works were completed in May 2020 and shareholders' equity as at 31 December 2020 amounted to €29.5 million.

5.2.2 Trend Analysis

GB Buildings is at present 85% 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. In addition, effort is being made to lease out the remaining 15% of commercial space. 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 achieved in the near term.

The take-up of office space at the newly developed Pinto Business Centre has been positive and in view of ongoing enquiries, management believes that the remaining space can be leased within a reasonably short period of time.

With regard to Pendergardens, there is healthy demand for residential properties which augurs well for the last remaining stock for sale which as at 31 December 2020 included 6 residential units and 1 penthouse. As to available commercial areas, the company has intensified its efforts to lease the remaining office and retail space.

5.3 MARKET OVERVIEW

5.3.1 Economic Update[1]

Malta's economy should see a robust recovery in 2021 and 2022, provided that the tourism sector opens up safely. The recovery is expected to be driven by a rebound in tourism-related services exports, household consumption and investment. Given the supportive fiscal policy stance, the general government deficit is set to widen further in 2021 before improving in 2022 on the back of an accelerating recovery and a winding-down of fiscal support measures.

The COVID-19 pandemic has decimated tourism proceeds and made a deep dent in consumption. Malta's GDP[2] fell significantly in 2020 with services exports and household consumption contracting sharply under the pressure of the pandemic and related safety measures. On the contrary, financial services and gaming sector exports continued to perform robustly. Although the pandemic has clearly depressed economic activity in Malta, the government's sizeable stimulus package has managed to partially offset some of the impact. Wage supplement schemes and other business support measures appear to have cushioned the drop in consumption.

Consumption and investment are expected to pick up as the recovery takes hold, helped by high levels of accumulated savings. The faster-than-expected rollout of vaccinations in Malta, the high rate of vaccination in the UK, and a gradual easing of restrictions in the EU, should put the tourism sector back on the path to recovery in the second half of 2021 and re-invigorate domestic demand. In 2021, real GDP growth is expected to reach 4.6%, mainly driven by domestic consumption and net exports, as inbound tourism and global trade recover. Robust government expenditure is likely to continue supporting the economy, including via public investment. With both exports and imports recovering, the current account deficit is still expected to widen this year before starting to decrease in 2022.

Supported strongly by policy measures, headcount employment actually increased in 2020 especially in the public sector, professional services, and construction, while there was only a limited increase in Malta's unemployment rate, to 4.3% from 3.6% in 2019. As employment is expected to continue growing at a slow pace, the decrease in unemployment is expected to be gradual.

Harmonised Index of Consumer Prices (HICP)[3] inflation averaged 0.8% in 2020, contained mainly by lower energy and services inflation against a backdrop of contracting demand. In 2021, inflation is expected to rise to 1.2% as domestic demand and tourism services recover. In line with a stronger economic recovery in 2022, inflation is set to increase further to 1.5%.

The government deficit increased to over 10% of GDP in 2020. The major increase in expenditure related to pandemic-mitigating measures which were the main reason behind the deteriorating fiscal balance. These measures included a wage support scheme, a voucher scheme to support the

[1] European Economic Forecast – Spring 2021 (European Commission Institutional Paper 149 May'21).

[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

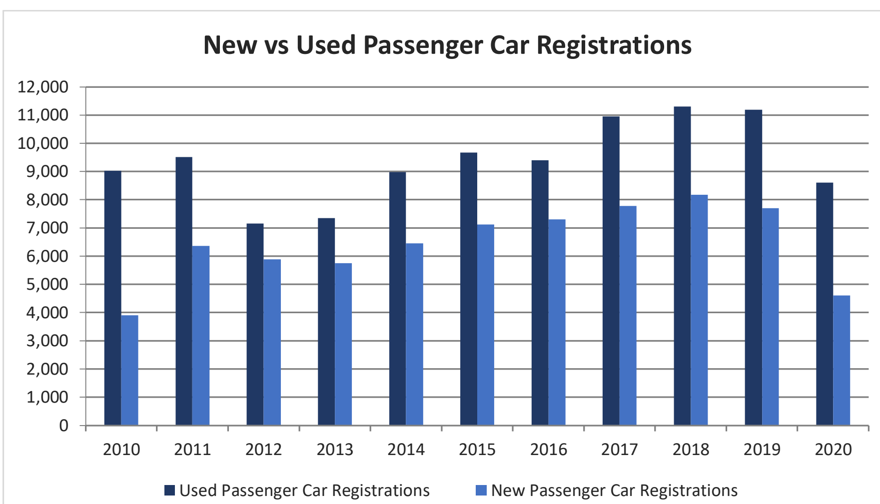
hospitality and retail sectors, utility and rent subsidies for businesses, and healthcare-related outlays, which overall amounted to somewhat less than 6.5% of GDP in 2020. On the revenue side, the steep fall in household and tourist consumption led to a drop in indirect tax revenue. Corporate tax revenues plunged, reflecting the worsened profitability of companies. Sustained by government measures and the relatively good performance of the labour market, revenue from social contributions actually increased.

In 2021, the government deficit is projected to increase further to 11.8% of GDP reflecting ongoing supportive fiscal policy. Growing private consumption and a gradual revival of tourism are expected to support the government's intake from indirect taxes. Revenue from income taxes is projected to grow in line with modest wage growth and the stabilised operating environment for businesses. Proceeds from the investor citizenship scheme are expected to stabilise at last year's level. The measures to sustain the recovery including the extended wage supplement scheme, a new round of the voucher scheme, and newly introduced measures to restore the tourism sector, are expected to continue in 2021. As the economy accelerates and economic support measures wear off, the deficit is forecast to decline in 2022 to around 5.5% of GDP.

The government debt-to-GDP ratio surged to 54.3% in 2020 following the deterioration of the fiscal position. Reflecting ongoing high primary deficits, the debt ratio is set to increase further and reach 65.5% in 2022.

5.3.2 Importation of Vehicles

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[4] and which are included in the table below. In 2020, used car imports represented 65% of the total new passenger car registrations (2019: 59%).



[4] National Statistics Office Malta – Motor Vehicles Q4/2020 (New Release 034/2021).

The COVID-19 outbreak in March 2020 has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors, including the motor vehicle segment. Moreover, the disruptive effects of the crisis and uncertainty of the duration thereof has adversely impacted discretionary expenditure by consumers. In 2020, new passenger car registrations decreased by 30% from 18,889 vehicles in 2019 to 13,212 vehicles.

Market share of MIL

MIL's market share of 'new car registrations in Malta' in 2020 is estimated at 16.84% (FY2019: 16.09%). 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.

5.3.3 Vehicle Rentals

The vehicle rental business is correlated to the tourism industry and as such, the travel ban imposed by the Authorities at the end of March 2020 following the COVID-19 outbreak has adversely impacted the sector. Air travel has since re-commenced albeit at a very low level. As such, the situation is still very fluid and the full extent of the disruption to the vehicle rentals sector in Malta is yet to be determined and assessed.

Apart from issues arising from COVID-19, 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, together with the Firefly and Dollar/Thrifty brands, will enable the Group to better compete across multiple market segments and thereby improve its market share.

5.3.4 Property

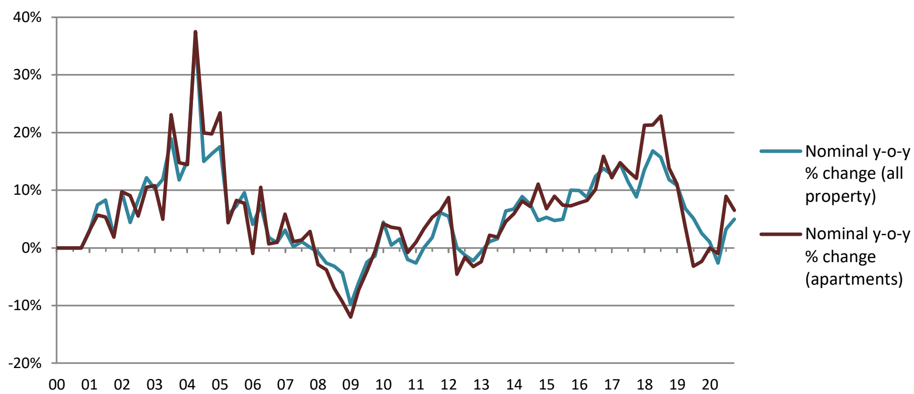
During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[5] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity

[5] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).

in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020, prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

CHART I: Change in Property Prices



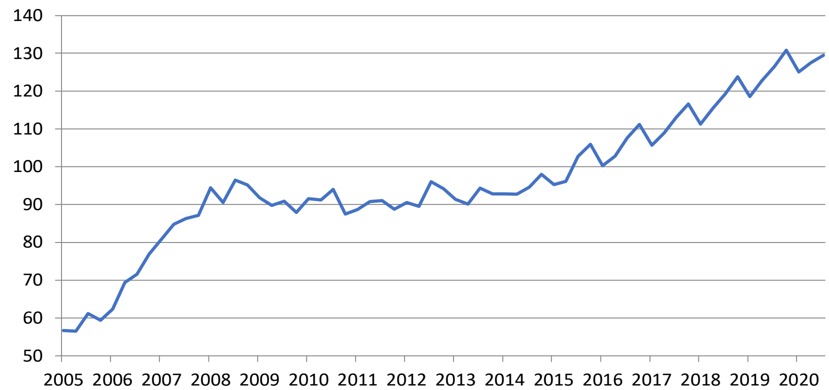
Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta[6] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).

[6] https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

CHART II: Malta House Price Index



Source: Eurostat

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[7]

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5%. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

In the first quarter of 2021, 3,213 final deeds of sale were registered, an annual increase of 8.7% (Q1 2020: 2,956 deeds). The value of deeds registered during this period rose by 15.2% over the same quarter of the previous year and amounted to €649.7 million. In Q1 2021, the number of promise of sale agreements reached 3,980. This represents an annual increase of 56.9%.[8]

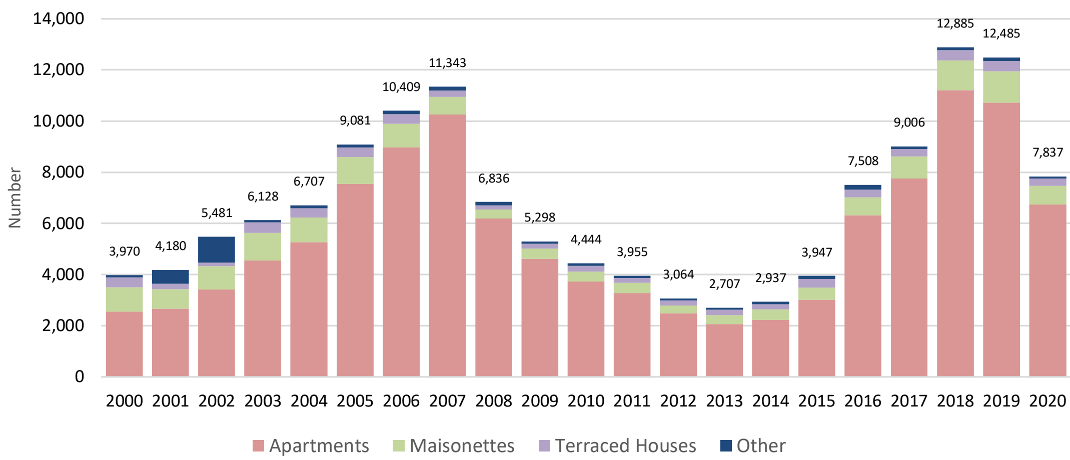
The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower

[7] Central Bank of Malta Quarterly Review 2020:1 (page 43).
[8] https://nso.gov.mt/en/News_Releases/Documents/2021/04/News2021_069.pdf

number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to a 37% decline in permits issued in 2020 compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

CHART III: Development Permits for Dwellings (number of units)



Although the construction industry was not part of the containment measures taken by Government to stem the spread of COVID-19, this sector was impacted indirectly as market sentiment changed from an optimistic outlook to a more cautious one. More clarity on the impact of this pandemic on the economy will be required before investors can regain confidence to pursue sizable development opportunities.

With regard to commercial property in Malta, related market data is not currently available and thus it is more difficult to gauge the health of this sector. Prior to COVID-19, 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) generated a positive trend in the commercial property sector, in particular office space.

Going into 2021, there are still multiple uncertainties over COVID-19 and its impact on people's health, freedom of movement and the global economy. Vaccine rollouts, travel restrictions and return to workplace policies remain major barriers and accordingly, it is too early to reliably determine the full impact of the pandemic on the commercial property sector in Malta. It is probable that commercial rent rates will trend lower in the near term and may continue in this trajectory until there is a return to normality coupled with a better outlook in terms of demand for such property.

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 and property. 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.

Following the liquidation of Debenhams UK and the international withdrawal of the Debenhams franchise under which the Group's Debenhams stores operated in Malta, the Group terminated its retail operations in June 2021.

Accordingly, the Group's strategy for the immediate term is to focus on its property investments and concentrate on returning its car rental business to normality as Malta's travel and tourism sector gradually gathers pace to pre-COVID levels. Over and above, the Group shall maintain its on-going pursuit for new, prudent and sustainable investment and business opportunities.

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: 'property, plant & equipment', 'investment property' and 'equity investments at fair value through other comprehensive income' as follows:

United Group Major Assets	**FY2018**	**FY2019**	**FY2020**
	€'000	**€'000**	**€'000**
GB Buildings (*note 1*)	5,841	5,841	5,841
Pinto Business Centre	3,048	6,463	10,130
Cosmana Navara, Rabat	-	1,300	1,300
Motor vehicles	3,632	4,365	3,989
Other assets	1,712	1,513	999
Investments in local listed equities	379	305	-
	14,612	**19,787**	**22,259**

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

Source: Consolidated audited financial statements of the United Group for the years ended 31 December 2018 to 2020.

PART 2 – GROUP PERFORMANCE REVIEW

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 2018 to 31 December 2020. The forecasted financial information for the year ending 31 December 2021 has been provided by management of the Issuer.

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.

United Finance p.l.c. Statement of Comprehensive Income for the year ended 31 December €'000	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Forecast**
Rental income from GB Buildings	404	403	376	456
Income receivable from financial assets	28	3	-	-
Interest receivable from Group companies	399	393	450	456
Bank and bills of exchange interest receivable	1	1	-	-
Total revenue	832	800	826	912
Interest payable and similar charges	(470)	(471)	(473)	(501)
Gross profit	**362**	**329**	**353**	**411**
Administrative expenses	(145)	(172)	(222)	(283)
Movement in fair value of investment property	1,115	-	-	-
Profit before tax	**1,332**	**157**	**131**	**128**
Taxation	(112)	19	-	-
Profit for the year	**1,220**	**176**	**131**	**128**
Other comprehensive income:				
Movement in fair value of financial assets	(69)	(73)	(93)	-
Total comprehensive income for the year	**1,151**	**103**	**38**	**128**

Revenue principally comprises income from rental of commercial space in GB Buildings and interest receivable from Group companies on amounts due to the Issuer. In FY2020, total revenue amounted to €826,000 (FY2019: €800,000). After deducting interest payable of €473,000 (FY2019: €471,000), the Issuer generated a gross profit of €353,000 (FY2019: €329,000).

The Issuer reported a profit in FY2020 amounting to €131,000 compared to €176,000 in the previous year. In FY2018, 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. Overall, total comprehensive income amounted to €38,000 (FY2019: €103,000).

The projected financial information for FY2021 is comparable to the results achieved in FY2020. Rental income in FY2021 is projected to increase by 21% to €456,000 (FY2020: €376,000), while interest receivable should remain broadly unchanged at €456,000 (FY2020: €450,000). Profit for the year is projected to amount to €128,000 compared to €131,000 in the prior year.

United Finance p.l.c. **Cash Flow Statement** **for the year ended 31 December** **€'000**	**2018** **Actual**	**2019** **Actual**	**2020** **Actual**	**2021** **Forecast**
Net cash from operating activities	560	1,496	(38)	253
Net cash from investing activities	28	(19)	194	-
Net cash from financing activities	(431)	(1,396)	(426)	(249)
Net movement in cash and cash equivalents	**157**	**81**	**(270)**	**4**
Cash and cash equivalents at beginning of year	831	988	1,069	799
Cash and cash equivalents at end of year	**988**	**1,069**	**799**	**803**

Net cash flows from operating activities mainly comprise rental income, interest received, administrative expenses, movements in trade & other receivables and payables and interest paid. In FY2020, net cash outflows amounted to €38,000 compared to inflows of €1.5 million in the previous year. The y-o-y variance mainly emanated from an adverse movement in trade and other receivables. In FY2020, the Issuer is projecting net cash inflows from operating activities to amount to €253,000.

Net cash from investing activities amounted to €194,000 in FY2020 (FY2019: - €19,000) and comprised proceeds from disposal of equity investments of €212,000 less improvements to investment property of €18,000.

Cash flows from financing activities primarily include movements in amounts due/from group companies and dividends paid. In FY2020, net outflows to group companies amounted to €426,000 (FY2019: €1.3 million), while no dividends were paid during the year (FY2019: €130,000). In FY2020, net cash outflows from financing activities are expected to amount to €249,000.

United Finance p.l.c. Statement of Financial Position as at 31 December €'000	2018 Actual	2019 Actual	2020 Actual	2021 Forecast
ASSETS				
Non-current				
Investment property	5,800	5,823	5,841	5,841
Equity investments	379	305	-	-
Financial assets	5,564	7,428	7,848	9,385
	11,743	**13,556**	**13,689**	**15,226**
Current				
Financial assets	684	87	40	17
Trade and other receivables	1,358	76	350	-
Taxation	-	11	-	-
Cash and cash equivalents	988	1,069	799	803
	3,030	**1,243**	**1,189**	**820**
Total assets	**14,773**	**14,799**	**14,878**	**16,046**
EQUITY AND LIABILITIES				
Equity				
Share capital	2,329	2,329	2,329	2,329
Other reserves	2,613	2,540	2,578	2,447
Retained earnings	499	545	545	858
	5,441	**5,414**	**5,452**	**5,634**
Non-current liabilities				
Borrowings	8,387	8,408	8,430	9,430
Deferred tax liabilities	581	581	581	581
	8,968	**8,989**	**9,011**	**10,011**
Current liabilities				
Trade and other payables	363	396	415	401
Current tax liabilities	1	-	-	-
	364	**396**	**415**	**401**
Total liabilities	**9,332**	**9,385**	**9,426**	**10,412**
Total equity and liabilities	**14,773**	**14,799**	**14,878**	**16,046**

Total assets of the Issuer as at 31 December 2020 amounted to €14.9 million (FY2019: €14.8 million) and mainly comprised investment property (GB Buildings) of €5.8 million, loans receivable from Group companies of €7.8 million and cash balances of €0.8 million.

Total liabilities as at 31 December 2020 amounted to €9.4 million (2019: €9.4 million) and primarily included the €8.5 million 5.3% bonds 2023.

No material movements in the statement of financial position have been projected for FY2021 compared to FY2020.

9. VARIANCE ANALYSIS – THE ISSUER

The following financial information relates to the variance analysis between the forecasted financial information of the Issuer for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 24 August 2020 and the audited financial statements of the Issuer for the year ended 31 December 2020.

United Finance p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December 2020** **€'000**	**Actual**	**Forecast**	**Variance**
Rental income from GB Buildings	376	391	(15)
Income receivable from financial assets	-	2	(2)
Interest receivable from Group companies	450	447	3
Total revenue	826	840	(14)
Interest payable and similar charges	(473)	(472)	(1)
Gross profit	**353**	**368**	**(15)**
Administrative expenses	(222)	(172)	(50)
Profit before tax	**131**	**196**	**(65)**
Taxation	-	-	-
Profit for the year	**131**	**196**	**(65)**
Other comprehensive income:			
Movement in fair value of financial assets	(93)	(59)	(34)
Total comprehensive income for the year	**38**	**137**	**(99)**

As presented in the above table, total comprehensive income was lower than projected by €99,000, mainly on account of lower than expected rental income due to the COVID situation and higher than projected administrative expenses. Also, adverse movement in fair value of financial assets was higher than expected by €34,000.

United Finance p.l.c. **Cash Flow Statement** **for the year ended 31 December 2020** **€'000**	**Actual**	**Forecast**	**Variance**
Net cash from operating activities	(38)	(40)	2
Net cash from investing activities	194	(12)	206
Net cash from financing activities	(426)	(534)	108
Net movement in cash and cash equivalents	**(270)**	**(586)**	**316**
Cash and cash equivalents at beginning of year	1,069	1,069	-
Cash and cash equivalents at end of year	**799**	**483**	**316**

Net movement in cash balances was higher than projected by €316,000 on account of cash inflows from the sale of financial assets which was not anticipated when compiling the forecast financial information (FY2020: net cash inflows of €194,000). Furthermore, cashflows used in financial activities was lower than expected by €108,000.

United Finance p.l.c. **Statement of Financial Position** **as at 31 December 2020** **€'000**	**Actual**	**Forecast**	**Variance**
ASSETS			
Non-current			
Investment property	5,841	5,837	4
Equity investments	-	245	(245)
Financial assets	7,848	7,973	(125)
	13,689	**14,055**	**(366)**
Current			
Financial assets	40	69	(29)
Trade and other receivables	350	288	62
Taxation	-	1	(1)
Cash and cash equivalents	799	483	316
	1,189	**841**	**348**
Total assets	**14,878**	**14,896**	**(18)**
EQUITY AND LIABILITIES			
Equity			
Share capital	2,329	2,329	-
Other reserves	2,578	2,480	98
Retained earnings	545	741	(196)
	5,452	**5,550**	**(98)**
Non-current liabilities			
Borrowings	8,430	8,419	11
Deferred tax liabilities	581	581	-
	9,011	**9,000**	**11**
Current liabilities			
Trade and other payables	415	346	69
Current tax liabilities	-	-	-
	415	**346**	**69**
Total liabilities	**9,426**	**9,346**	**80**
Total equity and liabilities	**14,878**	**14,896**	**(18)**

The principal variance in the statement of financial position mainly relate to the disposal of equity investments during the year which was not factored into the projections (€245,000), which contributed to a positive movement in cash balances.

10. 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 2018 to 31 December 2020. The financial information for the year ending 31 December 2021 has been provided by Group management.

United Group Limited **Statement of Comprehensive Income** **(€'000)**	**FY2018** **Actual**	**FY2019** **Actual**	**FY2020** **Actual**	**FY2021** **Forecast**
Fashion retail	8,741	8,817	4,552	2,185
Automotive	2,702	3,115	1,693	2,520
Catering	165	341	96	-
Management fees	295	254	251	228
Rental income	370	392	454	865
Total revenue	**12,273**	**12,919**	**7,046**	**5,798**
Cost of sales	(8,023)	(8,680)	(5,552)	(3,912)
Net operating expenses	(3,524)	(2,464)	(747)	(1,201)
EBITDA	**726**	**1,775**	**747**	**685**
Depreciation and amortisation	(972)	(2,161)	(2,106)	(909)
Movement in fair value of investment property	1,115	1,505	1,258	-
Profit on disposal of properties & other assets	88	113	-	147
Operating profit (loss)	**957**	**1,232**	**(101)**	**(77)**
Share of results of associates & jointly controlled entities	2,159	902	52	421
Net finance costs	(817)	(1,235)	(1,120)	(950)
Profit (loss) before tax	**2,299**	**899**	**(1,169)**	**(606)**
Taxation	(159)	(87)	(100)	(80)
Profit (loss) for the year	**2,140**	**812**	**(1,269)**	**(686)**
Other comprehensive (loss)/income				
Fair value gain of property, plant & equipment	-	383	-	-
Movement in fair value of financial assets	(69)	(73)	(93)	-
Other	-	-	-	-
Total comprehensive income (expense) for the year	**2,071**	**1,122**	**(1,362)**	**(686)**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Operating profit margin *(EBITDA/revenue)*	6%	14%	11%	12%
Interest cover (times) *(EBITDA/net finance cost)*	0.89	1.44	0.67	0.72
Net profit margin *(Profit after tax/revenue)*	17%	6%	-18%	-12%
Earnings per share (€) *(Profit after tax/number of shares)*	87	33	-51	-28
Return on equity *(Profit after tax/shareholders' equity)*	31%	10%	-19%	-10%
Return on capital employed *(Operating profit/total assets less current liabilities)*	5%	4%	0%	0%
Return on assets *(Profit after tax/total assets)*	8%	2%	-3%	-2%

Source: MZ Investment Services Ltd

In **FY2018**, the Group's total revenue increased by €2.7 million (+29%), from €9.5 million in FY2017 to €12.3 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 positive results wherein revenue increased by €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).

During FY2018, share of results of associates & jointly controlled entities was higher by €0.6 million, from €1.6 million in FY2017 to €2.2 million, which increase was primarily generated from the operations of Pender Ville Limited. Moreover, 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 generated in **FY2019** increased by €0.6 million, from €12.3 million in FY2018 to €12.9 million, principally on account of an increase of €0.4 million in the automotive sector. The increase in the catering sector (from €165,000 in FY2018 to €341,000) is reflective of a full year's operating results as compared to 8 months in FY2018.

The Group has 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 is required to recognise a right-of-use asset and a lease liability in the statement of financial position for the lease of premises 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 terms of the above, the FY2019 consolidated income statement of the Group reflects an increase in right-of-use amortisation (accounted for in depreciation & amortisation) of €1.0 million and a decrease in rent (in administrative expenses) of approximately the same amount, and an increase in right-of-use interest (in net finance costs) of €0.3 million.

Accordingly, EBITDA increased in FY2019 by €1.0 million, from €0.7 million in FY2018 to €1.8 million. The income statement includes an uplift in fair value of investment property amounting to €1.5 million (FY2018: €1.1 million). In this regard, the carrying values of G.B. Building and Pinto Business Centre were increased by €0.2 million and €1.3 million respectively. Share of results of associates & jointly controlled entities declined in FY2019 by €1.3 million to €0.9 million (FY2018: €2.2 million).

After accounting for a gain of €0.4 million in the fair value of property, plant & equipment, the Group reported a total comprehensive income in FY2019 amounting to €1.1 million compared to €2.1 million in the prior year.

Key accounting ratios – Operating profit margin declined from 10% in FY2017 to 6% in FY2018, particularly in view of stiff competition prevalent in the fashion retail sector. This ratio improved to 14% in FY2019 due to the adoption of IFRS 16 (explained elsewhere in this report). For same reason, the interest cover improved from 0.89 times in FY2018 to 1.44 times in FY2019 on account of higher EBITDA in FY2019. Net profit margin declined in FY2019 to 6% (from 17% in the previous year) particularly due to the €1.2 million y-o-y decrease in share of results of associates & jointly controlled entities.

During the initial two months of **FY2020**, the Group's operational performance was in line with Board expectations. Thereafter, revenues were impacted following the Authorities' decision to close non-essential retail outlets, restaurants and cafeterias, and to halt all inbound commercial flights. Retail fashion operations were completely shut down during April 2020, while the car rental business operated at minimal volume from April till June 2020 given that the airport was closed during said period. Despite re-opening thereafter, business operations remained at low levels for the rest of the financial year. With regard to the Group's catering activities, the Directors decided to wind down operations and completely exit the business.

In light of the above, revenue generated in FY2020 decreased by €5.9 million (-45%) and amounted to €7.0 million compared to €12.9 million in the prior year. Notwithstanding the significant decrease in revenue, the Group managed to register a positive EBITDA of €747,000 (FY2019: €1.8 million) mainly through the implementation of aggressive cost cutting measures and Government assistance in the form of wage subsidies and other grants.

In FY2020, the fair value of the Pinto Business Centre was revised upwards by €1.3 million. On the other hand, share of associates' results declined y-o-y from €902,000 in FY2019 to €52,000. After accounting for depreciation & amortisation of €2.1 million (FY2019: €2.2 million) and net finance costs of €1.1 million (FY2019: €1.2 million), the Group reported a loss for the year amounting to €1.3 million (FY2019: profit of €812,000). Overall, total comprehensive expense amounted to €1.4 million compared to total comprehensive income of €1.1 million in the prior year.

Group revenue in **FY2021** is projected to amount to €5.8 million compared to €7.0 million in FY2020, mainly reflective of the closure of the fashion retail outlets in June 2021 as explained in section 2 of this report. On the other hand, revenue from the automotive segment is expected to increase by 49% (y-o-y) to €2.5 million as the travel industry gradually re-opens. During the year, the Group expects the Pinto Business Centre to achieve full occupancy (from the current 80%) and therefore rental income is projected to almost double from €454,000 in FY2020 to €865,000.

Since the Group terminated the lease obligations relating to the retail outlets, depreciation & amortisation is expected to decrease from €2.1 million in FY2020 to €0.9 million following the elimination of amortisation of right-of-use assets. Similarly, net finance costs are projected to decrease by €170,000 to €950,000 on account of the non-recurrence of rent interest.

Share of results of associates & jointly controlled entities is projected to increase from €52,000 in FY2020 to €421,000. Overall, the Group is projected to register a loss for the year amounting to €686,000 compared to a loss of €1.3 million in FY2020, and total comprehensive expense of €686,000 (FY2020: expense of €1.4 million).

United Group Limited **Cash Flow Statement** **(€'000)**	**FY2018** **Actual**	**FY2019** **Actual**	**FY2020** **Actual**	**FY2021** **Forecast**
Net cash from operating activities	1,980	2,161	772	(776)
Net cash from investing activities	(3,073)	(4,534)	(2,571)	(759)
Net cash from financing activities	1,480	1,416	1,204	496
Net movement in cash and cash equivalents	**387**	**(957)**	**(595)**	**(1,039)**
Cash and cash equivalents at beginning of year	(1,118)	(731)	(1,688)	(2,283)
Cash and cash equivalents at end of year	**(731)**	**(1,688)**	**(2,283)**	**(3,322)**

Net cash flows from operating activities principally relate to the operations of the Group. In FY2019, net cash from operating activities increased from €2.0 million in FY2018 to €2.2 million, primarily due to higher interest paid during FY2019. In FY2020, cash inflows amounted to €772,000 mainly on account of favourable working capital movements. As for the projected year, it is assumed that the net cash outflows from operating activities will amount to €776,000 due to the impact of interest payable amounting to €1.0 million.

Net cash flows from investing activities mainly reflect the acquisition and disposal of investment property and property, plant & equipment, and property development works. In this regard, the Group utilised €4.9 million in FY2019 on capital acquisitions and development of Pinto Business Centre (FY2018: €3.3 million), while €0.4 million was received from disposal of property, plant and equipment (FY2018: €0.4 million). Investing activities in FY2020 mainly comprise development costs relating to the Pinto Business Centre which in aggregate amounted to €2.6 million. In the forecast year, capital expenditure is expected to be minimal and is estimated to amount to €759,000.

Net cash from financing activities amounted to €1.4 million in FY2019, and principally comprised movement in borrowings (net inflow) of €2.3 million and lease payments amounting to €0.9 million. In the previous year, net cash inflows from financing activities amounted to €1.5 million and included dividends received of €0.3 million and movement in borrowings of €1.2 million. In FY2020, net cash inflows from financing activities amounted to €1.2 million and represented net borrowings of €1.8 million and lease payments of €599,000. The Group is projecting net cash from financing activities to amount to €496,000 in FY2021 and shall comprise mainly net drawdowns from bank borrowings.

United Group Limited Statement of Financial Position (€'000)	31 Dec'18 Actual	31 Dec'19 Actual	31 Dec'20 Actual	31 Dec'21 Forecast
ASSETS				
Non-current assets				
Property, plant and equipment	5,344	6,999	5,006	4,796
Investment property	8,889	12,483	17,491	17,503
Investments in associates & joint ventures	6,268	7,146	7,198	8,047
Right-of-use assets		4,549	3,512	177
Equity investments	379	305	-	-
Deferred tax assets	225	225	782	882
Trade and other receivables	357	352	79	222
	21,462	32,059	34,068	31,627
Current assets				
Inventories	1,949	1,621	1,048	-
Trade and other receivables	1,796	1,679	951	1,155
Taxation	57	-	-	-
Cash and cash equivalents	1,895	1,562	1,231	671
	5,697	4,862	3,230	1,826
Total assets	**27,159**	**36,921**	**37,298**	**33,453**
EQUITY				
Called up share capital	25	25	25	25
Other reserves	6,835	8,526	9,018	9,410
Retained earnings	56	(513)	(2,366)	(2,890)
	6,916	**8,038**	**6,677**	**6,545**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	10,470	12,812	14,433	13,982
Lease liabilities	-	3,780	2,860	182
Other non-current liabilities	2,163	2,810	4,022	3,485
	12,633	19,402	21,315	17,649
Current liabilities				
Bank overdrafts	2,626	3,250	3,514	3,993
Borrowings	436	383	563	667
Lease liabilities	-	898	898	5
Other current liabilities	4,548	4,950	4,331	4,594
	7,610	9,481	9,306	9,259
	20,243	**28,883**	**30,621**	**26,908**
Total equity and liabilities	**27,159**	**36,921**	**37,298**	**33,453**

Key Accounting Ratios	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**
Gearing ratio *(Net debt/net debt and shareholders' equity)*	63%	71%	76%	74%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	1.68	2.43	3.15	2.77
Net debt to EBITDA (years) *(Net debt/EBITDA)*	16.03	11.02	28.16	26.51
Net assets per share (€) *(Net asset value/number of shares)*	281	326	271	265
Liquidity ratio (times) *(Current assets/current liabilities)*	0.75	0.51	0.35	0.20

Source: MZ Investment Services Ltd

The Group's total assets as at 31 December **2019** amounted to €36.9 million, an increase of €9.8 million on a comparable basis (FY2018: €27.1 million). More information on the Group's major assets is included in section 7 of this report. The principal movements in FY2019 compared to the prior year relate to additional expenditure and increase in fair values of property, plant & equipment and investment property totalling €5.2 million and the inclusion of right-of-use assets amounting to €4.5 million following the adoption of IFRS 16.

Total liabilities in FY2019 amounted to €28.9 million compared to €20.2 million in FY2018 (+€8.7 million), mainly on account of the reflection of lease liabilities amounting to €4.7 million in terms of IFRS 16 and an increase of €2.9 million in borrowings.

Total assets in **FY2020** were broadly unchanged compared to the prior year at €37.3 million. Further analysis shows that property, plant & equipment and investment property increased y-o-y by €3.0 million mainly on account of an increase in the carrying value of the Pinto Business Centre. On the other hand, inventories and trade & other receivables decreased y-o-y by €1.2 million due to lower business activities caused by the pandemic.

In FY2020, borrowings increased by €2.1 million to €18.5 million (FY2019: €16.4 million), while other non-current liabilities increased from €2.8 million in FY2019 to €4.0 million (which comprises non-current trade creditors).

Gearing (financial leverage) of the United Group has increased from 63% in FY2018 to 76% in FY2020, primarily due to the additional bank loan needed to develop the Qormi Business Centre and also in view of a decline in cash inflows following the COVID-19 outbreak.

The liquidity ratio deteriorated in FY2020, from 0.51 times in FY2019 to 0.35 times, as current assets decreased by €1.6 million (y-o-y) while current liabilities remained constant at €9.3 million.

Total assets in **FY2021** are projected to decrease by €3.8 million (y-o-y) to €33.5 million mainly as a consequence of the closure of the fashion retail business in June 2020. In particularly, right-of-use assets is expected to decrease from €3.5 million in FY2020 to €177,000 as the Group terminated all lease contracts relating to the retail outlets, while inventories will be reduced to nil. For the same reason, lease liabilities are expected to decrease from €3.8 million in FY2020 to €187,000.

Though borrowings are projected to remain stable at €18.6 million, the gearing ratio of the Group is expected to decline by 2 percentage points to 74% due to the removal of lease liabilities.

11. VARIANCE ANALYSIS – THE GROUP

The following financial information relates to the variance analysis between the forecast financial information of the Group for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 24 August 2020 and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

United Group Limited **Statement of Comprehensive Income (FY2020)** **(€'000)**	**Actual**	**Forecast**	**Variance**
Fashion retail	4,552	4,979	(427)
Automotive	1,693	1,755	(62)
Catering	96	98	(2)
Management fees	251	69	182
Rental income	454	525	(71)
Total revenue	**7,046**	**7,426**	**(380)**
Cost of sales	(5,552)	(5,381)	(171)
Net operating expenses	(747)	(989)	242
EBITDA	**747**	**1,056**	**(309)**
Depreciation and amortisation	(2,106)	(2,181)	75
Movement in fair value of investment property	1,258	1,385	(127)
Profit on disposal of properties & other assets	-	69	(69)
Operating profit (loss)	**(101)**	**331**	**(432)**
Share of results of associates & jointly controlled entities	52	346	(294)
Net finance costs	(1,120)	(1,352)	232
Profit (loss) before tax	**(1,169)**	**(675)**	**(494)**
Taxation	(100)	(120)	20
Profit (loss) for the year	**(1,269)**	**(795)**	**(474)**
Other comprehensive (loss)/income			
Movement in fair value of financial assets	**(93)**	(59)	(34)
Total comprehensive income (expense) for the year	**(1,362)**	**(854)**	**(508)**

As presented in the above table, the Group's revenue for FY2020 was lower than projected by €0.4 million, principally on account of a decline in revenue from the fashion retail sector. The adverse variance in EBITDA was limited to €0.3 million mainly due to higher than expected wage subsidies received during the year.

The gain in fair value of investment property and share of associates' results were lower than forecast by €127,000 and €294,000, partly mitigated by lower than anticipated net finance costs of €232,000. Overall, actual total comprehensive expense amounted to €1.4 million compared to a forecast expense of €854,000.

United Group Limited Cash Flow Statement (FY2020) (€'000)	**Actual**	**Forecast**	**Variance**
Net cash from operating activities	772	(487)	1,259
Net cash from investing activities	(2,571)	(1,197)	(1,374)
Net cash from financing activities	1,204	313	891
Net movement in cash and cash equivalents	**(595)**	**(1,371)**	**776**
Cash and cash equivalents at beginning of year	(1,688)	(1,688)	-
Cash and cash equivalents at end of year	**(2,283)**	**(3,059)**	**776**

Actual net cash from operating activities amounted to €772,000 compared to a forecast cash outflow of €487,000, which resulted in a favourable variance of €1.3 million. This variance is mainly attributable to positive movements in working capital.

Net cash outflows from investing activities was higher than forecast by €1.4 million, mainly on account of progress development works relating to the Pinto Business Centre, Qormi. During the year, the Group received proceeds amounting to €0.2 million from disposal of financial assets which were not taken into account in the projections.

Borrowings were higher than forecast which contributed to the positive variance in financing activities of €891,000.

Overall, the cash position of the Group was better than projected by €776,000.

United Group Limited **Statement of Financial Position (31 Dec'20)** **(€'000)**	**Actual**	**Forecast**	**Variance**
ASSETS			
Non-current assets			
Property, plant and equipment	5,006	7,069	(2,063)
Investment property	17,491	15,474	2,017
Investments in associates & joint ventures	7,198	7,492	(294)
Right-of-use assets	3,512	3,848	(336)
Equity investments	-	246	(246)
Deferred tax assets	782	225	557
Trade and other receivables	79	398	(319)
	34,068	34,752	(684)
Current assets			
Inventories	1,048	1,202	(154)
Trade and other receivables	951	1,698	(747)
Cash and cash equivalents	1,231	483	748
	3,230	3,383	(153)
Total assets	**37,298**	**38,135**	**(837)**
EQUITY			
Called up share capital	25	25	-
Other reserves	9,018	9,851	(833)
Retained earnings	(2,366)	(2,684)	318
	6,677	**7,192**	**(515)**
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	14,433	14,810	(377)
Lease liabilities	2,860	3,198	(338)
Other non-current liabilities	4,022	3,129	893
	21,315	21,137	178
Current liabilities			
Bank overdrafts	3,514	3,542	(28)
Borrowings	563	-	563
Lease liabilities	898	640	258
Other current liabilities	4,331	5,624	(1,293)
	9,306	9,806	(500)
	30,621	**30,943**	**(322)**
Total equity and liabilities	**37,298**	**38,135**	**(837)**

Total assets as at 31 December 2020 were lower than projected by €0.8 million. Equity investments of €246,000 were sold in FY2020 which was not anticipated in the projections. Also, cash balances were higher than expected by €748,000.

Total liabilities were lower than projected by €0.3 million mainly on account of a favourable movement in trade and other payables.

12. 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
MT0000791211	21,845,300	6.00% Pendergardens Dev. Plc Secured Bonds 2022	EUR

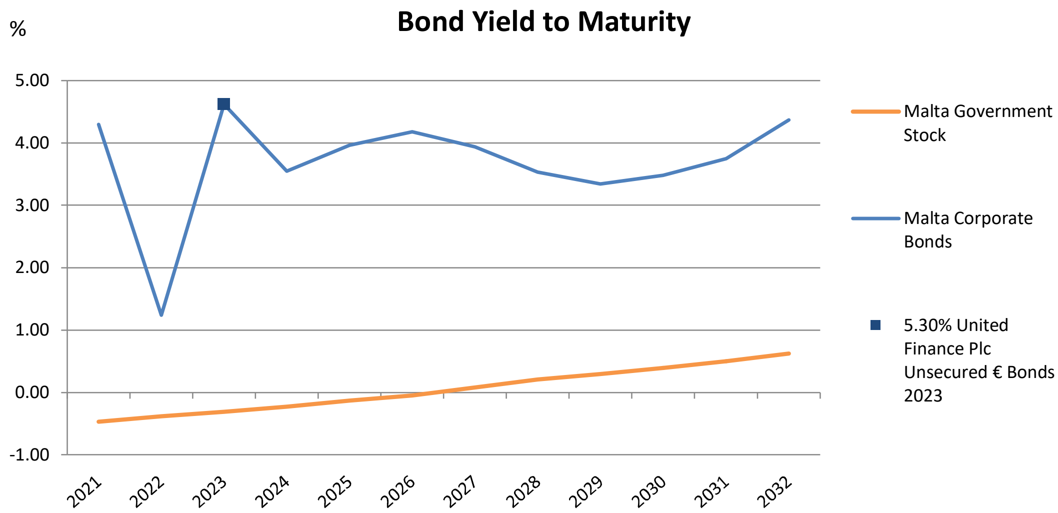
PART 3 - COMPARABLES

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** (%)
5.80% International Hotel Investments plc 2021	20,000,000	4.30	- 0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	30,049,800	1.24	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,845,300	3.53	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	2.66	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	**8,500,000**	**4.62**	**0.67**	**37,298**	**6,677**	**75.91**
5.80% International Hotel Investments plc 2023	10,000,000	4.47	- 0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.76	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	4.16	- 0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.55	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.04	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.31	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,776,400	3.03	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.45	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.34	- 0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.56	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.96	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.18	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.79	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.46	- 0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.32	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.64	- 0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.28	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.96	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.94	- 0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.21	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.53	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.34	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	2.69	0.76	348,657	217,449	25.57

31-May-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 31 May 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The United Finance bonds are trading at a yield of 4.62%, which is in line with other corporate bonds maturing in the same year. The premium over FY2023 Malta Government Stock is 493 basis points.

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.
Net debt to EBITDA	The net debt to EBITDA is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.