Financial Analysis Summary

24 August 2020

Issuer

United Finance p.l.c.

(C 26598)

MZ INVESTMENT SERVICES

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

24 August 2020

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**" 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 2017 to 31 December 2019 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 2020 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,

Evan Mohnani
Senior Financial Advisor

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Rabat RBT 1523,
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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

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. In FY2019, United Group operated in four industry sectors - retail, automotive, property and catering. As a result of a strategic review undertaken by the Group's Directors in FY2020, it was decided to terminate the catering operations with immediate effect and to direct resources towards the Group's core businesses.

3. DIRECTORS AND SENIOR MANAGEMENT

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

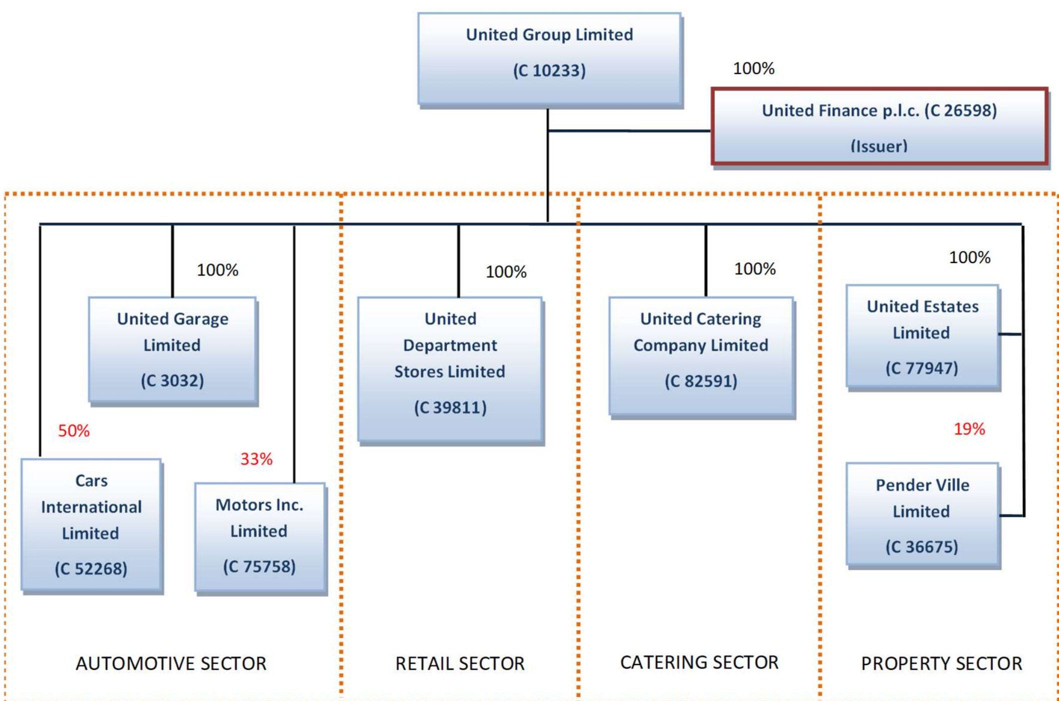
The senior management team of the Group is composed as follows:

Senior Management

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 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 and income from third party rentals of office space at G.B. Buildings, Watar Street, Ta' Xbiex. The catering business will be discontinued in FY2020 as further explained in section 5.4 below.

An analysis of revenue, extracted from the consolidated audited financial statements of United Group Limited, is provided below.

United Group Revenue Analysis	**FY2017 €'000**	**FY2018 €'000**	**FY2019 €'000**
Retail	6,687	8,741	8,817
Automotive	2,312	2,702	3,115
Rental income ***(note 1)***	350	370	392
Catering	-	165	341
Management fees ***(note 2)***	197	295	254
Total revenue	**9,546**	**12,273**	**12,919**

Note 1: In the income statement, rental income is included in line item 'Other Income'.

Note 2: Comprises management fees receivable from associates and joint venture operations.

Source: Consolidated audited financial statements of the United Group for the years ended 31 December 2017 to 2019.

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, kids wear, homeware and beauty.

On 9 April 2020, Debenhams (UK) announced that the group (Debenhams Retail Ltd) entered administration to protect Debenhams in the UK from the threat of legal action that could have the effect of pushing the business into liquidation while its UK stores remain closed in line with the UK Government's advice regarding the COVID-19 pandemic. Subsequently, on 26 July 2020, Debenhams announced the reopening of its UK stores and that the administrators had initiated a process to assess ways for the business to exit its protective administration. Possible outcomes include the current owners retaining the business, potential new joint venture arrangements or a sale to a third party. The administrators will be guided by what delivers the best outcome for creditors.

The Directors will continue to monitor the above-mentioned situation closely and assess any potential impact on the Group's operation of Debenhams stores in Malta accordingly.

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 Trend Analysis

Stiff competition continues to be prevalent in the local market, both from local retailers as well as from online sales. In addition, retailers face competition for consumers' disposable income from gastronomy outlets, the property market and consumers' propensity to save. Furthermore, the retail industry continues to evolve due to shifts in consumer preferences, product trends and shopping habits. Pre COVID-19, Malta's economy was performing well, resulting in an expansion of the labour market and higher income levels, to the benefit of retailers. The situation is still uncertain and the full impact of the pandemic on the fashion retail industry is yet to be determined and assessed.

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 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.

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.

On 22 May 2020, Hertz Global Holdings Inc. announced that it and certain of its U.S. and Canadian subsidiaries filed voluntary petitions for reorganisation under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware.

The impact of COVID-19 on travel demand was sudden and dramatic, causing an abrupt decline in the company's revenue and future bookings. The financial reorganisation will provide Hertz a path toward a more robust financial structure that best positions the company for the future as it navigates what could be a prolonged travel and overall global economic recovery. As of the filing date, the company had more than $1 billion in cash on hand to support its ongoing operations. Depending upon the length of the COVID-19 induced crisis and its impact on revenue, the company may seek access to additional cash, including through new borrowings, as the reorganisation progresses.

Hertz's principal international operating regions including Europe, Australia and New Zealand are not included in proceedings under U.S. Chapter 11. In addition, Hertz's franchised locations, which are not owned by the company, also are not included in the Chapter 11 proceedings. All of Hertz's businesses globally, including its Hertz, Dollar, Thrifty, Firefly, Hertz Car Sales, and Donlen subsidiaries, are open and serving customers. All reservations, promotional offers, vouchers, and customer and loyalty programs, including rewards points, are expected to continue as usual.

The Directors will continue to monitor the above-mentioned situation closely and assess any potential impact on the Group's local car rental operations accordingly.

5.2.1 Trend Analysis

The COVID-19 pandemic has directed 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. Although the travel ban has been lifted as from 1 July 2020, 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.

Until Q1 2020, trends in vehicle sales in Malta were fairly consistent. The pandemic outbreak has inevitably caused a decline in discretionary consumption including sales of motor vehicles. 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.

5.3 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 2,510m^2 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. The ground floor showroom will be vacant in Q4 2020 but management is already in negotiations with prospective tenants. As to the other floors all have ongoing lease agreements with leading iGaming companies. The carrying value of the property as at 31 December 2019 is €6.0 million (FY2018: €5.8 million). The uplift in fair value of the property was established following a valuation exercise carried out by an independent firm of architects.

In 2019, United Group continued developing the site measuring *circa* 1,000m^2 in Qormi, which will be completed in Q4 2020. Pinto Business Centre will offer *circa* 3,400m^2 of office space spread over 5 floors with ample parking facilities. The ground and first floors have been leased as from 1 September 2020 for a period of 5 years. As at 31 December 2019, the carrying value of the subject property amounted to €6.5 million (FY2018: €3.1 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 financial analysis report dated 2 June 2020 of Pendergardens Developments p.l.c. (the operating subsidiary of Pender Ville Limited), development works were substantially completed in March 2020.

5.3.2 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 Discontinued Operations

During FY2017, the United Group commenced operating 'U&Co', a social café/casual diner located at Pendergardens, St Julians. In April 2019, the Group expanded its catering operations through the acquisition of Cosmana Navarra restaurant in Rabat, Malta.

As a result of a strategic review undertaken by the Group's Directors, it was decided to terminate the above-mentioned catering operations with immediate effect and to direct resources towards the Group's core businesses.

5.5 MARKET OVERVIEW

5.5.1 Economic Update[1]

After annual real GDP growth of 7.3% in 2018 and 4.4% in 2019, Malta's economy had already started to show signs of cooling before the COVID-19 outbreak. Domestic demand has been the main growth driver, underpinned by robust private consumption and investment. Economic sentiment had eased in recent months, but remained strong with steady confidence in industry and construction. Although exports have been losing steam, tourism still contributed significantly to GDP growth.

Malta's economy is being severely affected by the COVID-19 pandemic this year. GDP is expected to contract by around 5.75% but should rebound by 6.0% in 2021. The lockdown and closure of non-essential businesses since 26 March 2020 is weighing on private consumption and service exports, with limited room for expenditure on recreation or food services. However, the initial tightness in the labour market and households' high saving rate may cushion the crisis' impact on consumption. Some large-scale investment projects in health and infrastructure are continuing, while other plans have been postponed.

The external sector is set to contribute negatively this year, reflecting a weaker external environment, elevated global uncertainty and a substantial decline in tourism revenues. A fall in domestic demand is expected to drag imports down at a slower pace than exports in 2020, before imports growth outpaces exports' in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow over the forecast horizon, but to remain high. An easing in general restrictions is expected to re-stimulate domestic demand in 2021, though it is set to remain below its 2019 level.

As a small open economy, Malta's economic outlook is highly sensitive to global uncertainties and the growth performance of its trading partners. Their economic development in the wake of the COVID-19 pandemic may weigh on Malta's exports and pace of recovery more strongly than assumed in this forecast.

The fast pace of economic growth in Malta led to a record-low unemployment rate of 3.5% in 2019, but in the wake of the COVID-19 crisis, the temporary closure of tourism-related activities is set to have a harsh impact on employment. Despite the financial aid made available to employees and the

[1] European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).

government's measures to cushion the impact on corporates, the unemployment rate is projected to increase to around 6% in 2020 before decreasing again in 2021 to 4.5%.

In 2019, the government surplus declined to 0.5% of GDP from 1.9% a year earlier. The outcome fell short of the government's plans to assure a balanced budget when discounting for the proceeds of the Individual Investor Programme (citizenship scheme), mainly due to lower-than-budgeted VAT receipts. The favourable economic environment translated into strong growth in income taxes and social contributions. Nevertheless, outlays on intermediate consumption, wages and capital outpaced positive revenue developments.

In 2020, the general government balance is projected to swing into a large deficit of around 6.75% of GDP. Revenue from indirect taxes is set to decline as household consumption falls. Direct tax revenues are projected to record a slight positive growth given the assumed wage growth and profits recorded by companies in the previous year. The main drag on the fiscal balance will come from the financial packages adopted to combat the economic impact of COVID-19. Wage supplements, additional spending on healthcare and social benefits, and interest rate subsidies are expected to cost around 4% of GDP. Moreover, the social measures announced in the 2020 budget, which was prepared under a more favourable economic scenario, are expected to be implemented.

Assuming no changes in policies, which implies that the pandemic-related measures would be discontinued after a few months and healthcare spending would decline to pre-2020 levels, the general government balance should improve strongly, but remain in a deficit of around 2.5% of GDP.

After declining steadily since 2011, the government debt-to-GDP ratio is forecast to surge to about 51% in 2020 and remain around this level in 2021, driven by adverse developments in the deficit.

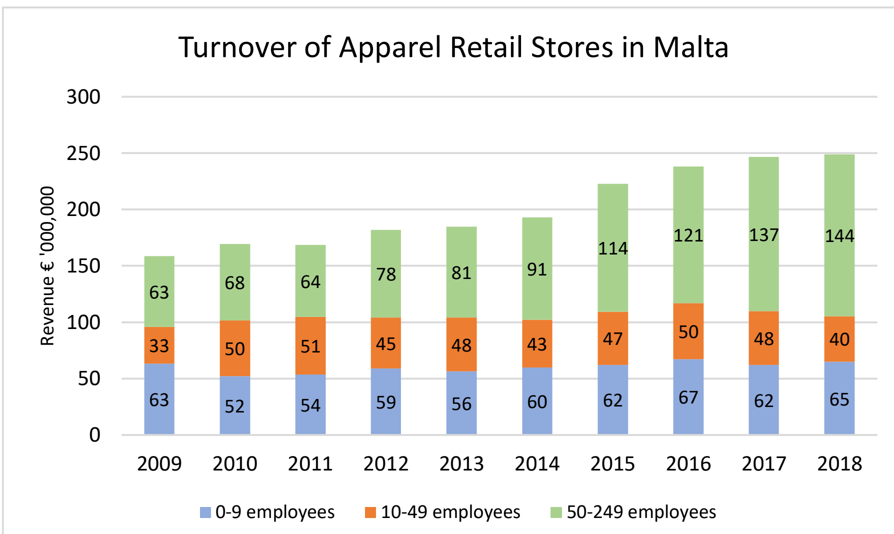
5.5.2 Fashion Retail

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 2018). 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.

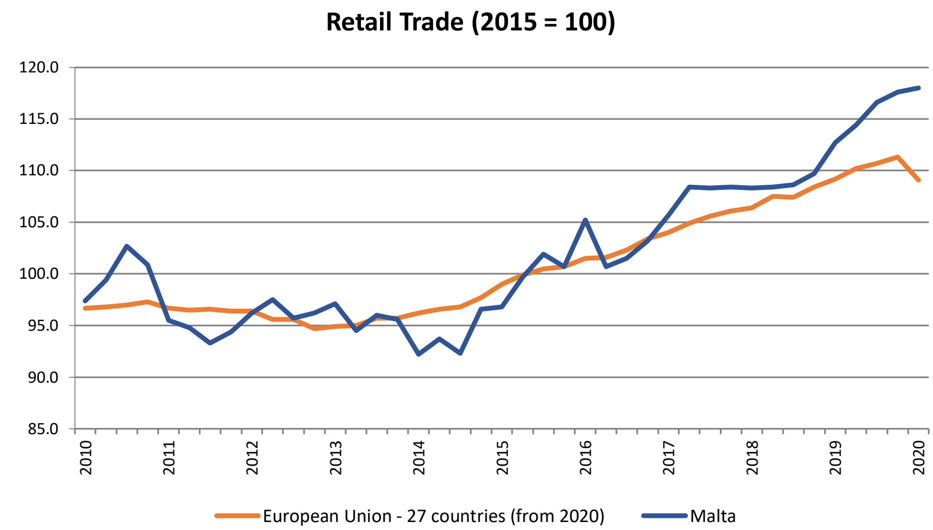
Turnover of Apparel Retail Stores in Malta											
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2009-18**
0-9 employees											
Total turnover (€'million)	63	52	54	59	56	60	62	67	62	65	**0.3%**
No. of outlets (units)	705	666	674	674	655	666	616	659	652	651	
Average turnover (€'million)	0.09	0.08	0.08	0.09	0.09	0.09	0.10	0.10	0.09	0.10	
Year-on-year growth		-13%	2%	10%	-2%	4%	13%	1%	-7%	5%	
10-49 employees											
Total turnover (€'million)	33	50	51	45	48	43	47	50	48	40	**2.4%**
No. of outlets (units)	17	28	29	29	28	26	33	35	33	32	
Average turnover (€'million)	1.92	1.77	1.76	1.56	1.71	1.64	1.43	1.42	1.46	1.26	
Year-on-year growth		-8%	-1%	-11%	9%	-4%	-13%	0%	2%	-14%	
50-249 employees											
Total turnover (€'million)	63	68	64	78	81	91	114	121	137	144	**9.7%**
No. of outlets (units)	11	12	13	14	14	14	15	15	16	17	
Average turnover (€'million)	5.69	5.64	4.92	5.55	5.78	6.50	7.57	8.07	8.55	8.46	
Year-on-year growth		-1%	-13%	13%	4%	13%	16%	7%	6%	-1%	
Total Turnover (€'million)	159	169	169	182	185	193	223	238	247	249	**5.1%**
Year-on-year growth		7%	0%	8%	2%	4%	15%	7%	4%	1%	

Source: National Statistics Office Malta (NACE 47.71 data)



During the 10-year period under review, the average total number of outlets amounted to *circa* 705 units. In the last 3 years (2016 to 2018), the total number of outlets was broadly unchanged at 700 units. Further analysis shows that in the small stores category (0-9 employees), number of stores decreased by 8% from 705 units in 2009 to 651 units in 2018. In contrast, the medium (10-49 employees) and large (50-249 employees) stores categories reported an increase (in aggregate) over the period from 28 units in 2009 to 49 units in 2018 (+75%).

Furthermore, consumer spending has also changed and shows a preference towards the larger stores. In fact, in the period 2009 to 2018, smaller outlets registered a compounded annual increase in turnover of only 0.3%, while the mid and larger outlets recorded a compounded annual growth rate in turnover of 2.4% and 9.7% respectively. Overall, consumer spending in apparel retail in Malta increased at a compounded annual growth rate of 5.1% over the 10-year period from €159 million in 2009 to €249 million in 2018.



Source: Eurostat NACE Rev.2 (retail trade except motor vehicles and motor cycles quarterly data)

The above chart provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2015 being the base year = 100). According to the EU trend line above, retail trade was marginally in decline between 2010 and 2013 but increased at a constant rate of growth thereafter. In Q1 2020, retail trade registered a 2% decrease from the prior quarter.

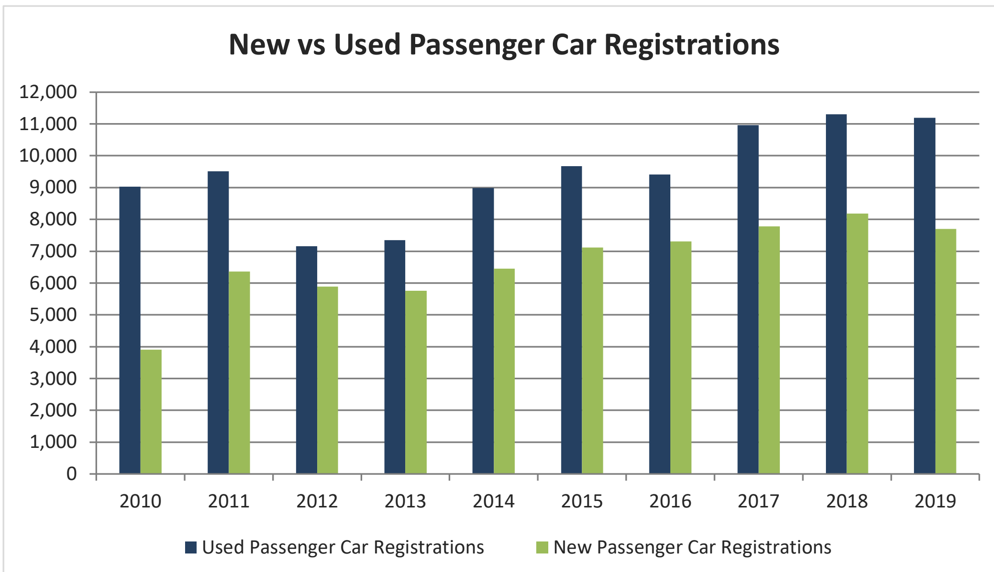
During the period under review (Q1 2010 to Q1 2020), retail activity in Malta increased by *circa* 21 percentage points and since Q4 2016 has performed better than the EU average. A number of factors have contributed to this strong performance, including:

- The robust overall growth of the Maltese economy and a strong labour market which has outpaced the EU average; and
- The increase in population of the expat community in Malta.

For the year 2020, the pandemic is undoubtedly having a negative impact on the fashion retail sector in Malta. Due to the imposition of a lockdown by Government, all non-essential retail outlets were closed during March 2020 till end of April 2020 and re-opened for business on 4 May 2020. Notwithstanding the re-opening, it is likely that turnover generated by the fashion retail sector in Malta will be considerably lower at least for the rest of this calendar year on a comparable basis. The situation is still very fluid and the full impact on the subject industry is yet to be determined and assessed.

5.5.3 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 and which are included in the table below. During the past decade, registered passenger cars in Malta increased by 67,634 vehicles, from 239,496 in 2010 to 307,130 in 2019, which is equivalent to a compound annual growth rate of 2.80%.



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 2019, the registration of used cars amounted to 11,191, a marginal decrease of 1% when compared to 2018 (11,304 used passenger car registrations). In comparison, 7,698 new vehicles were registered in 2019, a decrease of 5.8% from a year earlier (2018: 8,175 new passenger car registrations).

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 fact, in Q2 2020, newly licensed motor vehicles amounted to 3,679 compared to 7,439 vehicles in Q2 2019 (-51%).

Market share of MIL

MIL's market share of 'new car registrations in Malta' in 2019 is estimated at 16.09%(FY2018: 16.36%). 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.

5.5.4 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 re-commenced in July 2020, but 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.

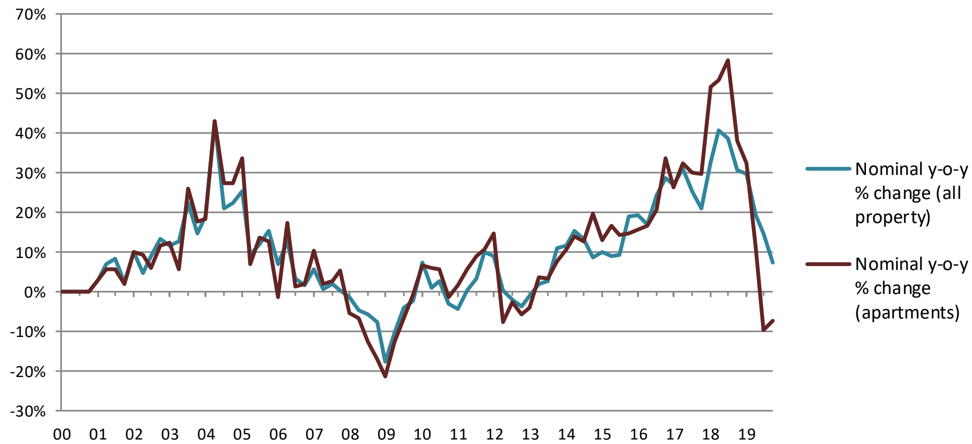
5.5.5 Property

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[2] 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.

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 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.

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

CHART I: Change in Property Prices

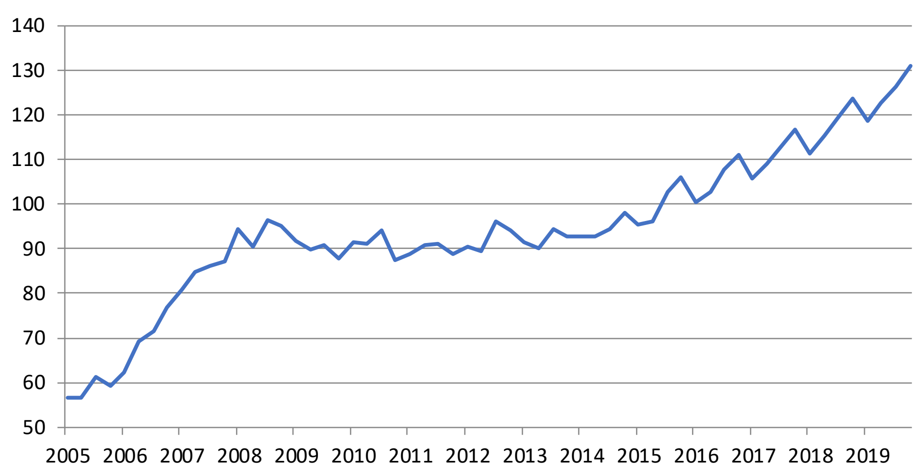


Source: Central Bank of Malta

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[3] – 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 Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2018, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

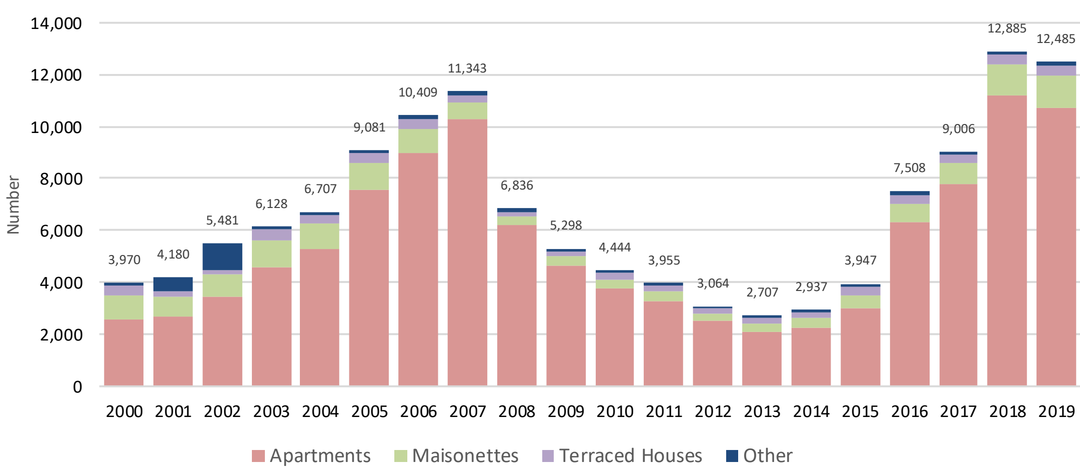
[3] https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

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.[4]

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 in 2018 (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.[5]

CHART III: Development Permits for Dwellings



4 Central Bank of Malta Quarterly Review 2020:1 (page 43).

5 Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).

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. 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.

It is too early to reliably determine the impact that the pandemic may have on the commercial property sector in Malta. It is possible that landowners will proceed with the completion of projects currently under development, but new projects will be put on hold or commence once the situation stabilises. Lease rates for commercial property may have to be reduced until there is a return to normality or once the apparent over-supply is to a large extent absorbed.

Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors will undoubtedly be impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting adverse effect on the Maltese economy and market sentiment.

The short-let rental market for residential property has witnessed a significant decline in tourist demand following the temporary closure of the Airport, while the long-let rentals have been affected by the return of foreign workers to their home countries. This situation is presently exerting downward pressure on rental rates generally, which in turn may impact the demand for residential property and asset prices thereof.

6. BUSINESS DEVELOPMENT STRATEGY

The Board of Directors has conducted a comprehensive evaluation of the impact which the COVID-19 outbreak has had on the Group's business and the likely impact this crisis will have going forward. Undoubtedly this will have an impact on the Group's business going forward. Accordingly, so as to mitigate the effects of a drop in revenue, cost containment measures have been put in place across all companies and non-contracted capital expenditure plans have been cancelled.

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. 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: 'property, plant & equipment'. '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	**FY2017 €'000**	**FY2018 €'000**	**FY2019 €'000**
GB Buildings (*note 1*)	4,727	5,841	6,020
Pinto Business Centre (under development)	1,595	3,048	6,463
Cosmana Navara, Rabat	-	-	1,300
Improvements, plant & machinery and furniture & fittings	1,544	1,712	1,334
Motor vehicles	3,163	3,632	4,365
Investments in local listed equities	447	379	305
	11,476	**14,612**	**19,787**

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 2017 to 2019.

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 2017 to 31 December 2019. The forecasted financial information for the year ending 31 December 2020 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.

The COVID-19 outbreak has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors. In March 2020, the Authorities took preventative and protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their activities outside of their homes.

Although the situation is uncertain, based on the information available at the time of reporting, management remains of the belief that the COVID-19 outbreak will not have a foreseeable negative long-term effect on the Company's business.

United Finance p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December** **€'000**	**2017** **Actual**	**2018** **Actual**	**2019** **Actual**	**2020** **Forecast**
Rental income from GB Buildings	382	404	403	391
Income receivable from financial assets	14	28	3	2
Interest receivable from Group companies	399	399	393	447
Bank and bills of exchange interest receivable	2	1	1	-
Total revenue	797	832	800	840
Interest payable and similar charges	(469)	(470)	(471)	(472)
Gross profit	**328**	**362**	**329**	**368**
Administrative expenses	(149)	(145)	(172)	(172)
Movement in fair value of investment property	-	1,115	-	-
Profit before tax	**179**	**1,332**	**157**	**196**
Taxation	(15)	(112)	19	-
Profit for the year	**164**	**1,220**	**176**	**196**
Other comprehensive income:				
Movement in fair value of financial assets	(29)	(69)	(73)	(59)
Total comprehensive income for the year	**135**	**1,151**	**103**	**137**

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 FY2019, total revenue amounted to €800,000 (FY2018: €832,000). After deducting interest payable of €471,000 (FY2018: €470,000), the Issuer generated a gross profit of €329,000 (FY2018: €362,000).

The Issuer reported a profit in FY2019 amounting to €176,000 compared to €1.22 million 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 €103,000 (FY2018: €1.15 million).

The projected financial information for FY2020 are comparable to the results achieved in FY2019. As such, revenue in FY2020 is projected to amount to €840,000 (FY2019: €800,000), while gross profit is forecasted at €368,000 (FY2019: €329,000). Total comprehensive income for FY2020 is estimated to increase from €103,000 in FY2019 to €137,000.

United Finance p.l.c. **Cash Flow Statement** **for the year ended 31 December** **€'000**	**2017** **Actual**	**2018** **Actual**	**2019** **Actual**	**2020** **Forecast**
Net cash from operating activities	(106)	560	1,496	(40)
Net cash from investing activities	(46)	28	(19)	(12)
Net cash from financing activities	(87)	(431)	(1,396)	(534)
Net movement in cash and cash equivalents	**(239)**	**157**	**81**	**(586)**
Cash and cash equivalents at beginning of year	1,070	831	988	1,069
Cash and cash equivalents at end of year	**831**	**988**	**1,069**	**483**

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 FY2019, net cash inflows amounted to €1.5 million compared to €0.6 million in the previous year. The y-o-y variance mainly emanated from positive movement in trade and other receivables. In FY2020, the Issuer is projecting net cash outflows from operating activities to amount to €40,000.

Cash flows from financing activities primarily include movements in amounts due/from group companies and dividends paid. In FY2019, net outflows to group companies amounted to €1.3 million (FY2018: €0.3 million), while dividends paid amounted to €130,000 (FY2018: €130,000). In FY2020, net cash outflows from financing activities are expected to amount to €0.5 million.

United Finance p.l.c. Statement of Financial Position as at 31 December €'000	2017 Actual	2018 Actual	2019 Actual	2020 Forecast
ASSETS				
Non-current				
Investment property	4,685	5,800	5,823	5,837
Equity investments	447	379	305	245
Financial assets	5,479	5,564	7,428	7,973
	10,611	**11,743**	**13,556**	**14,055**
Current				
Financial assets	536	684	87	69
Trade and other receivables	1,724	1,358	76	288
Taxation	-	-	11	1
Cash and cash equivalents	831	988	1,069	483
	3,091	**3,030**	**1,243**	**841**
Total assets	**13,702**	**14,773**	**14,799**	**14,896**
EQUITY AND LIABILITIES				
Equity				
Share capital	2,329	2,329	2,329	2,329
Other reserves	1,679	2,613	2,540	2,480
Retained earnings	492	499	545	741
	4,500	**5,441**	**5,414**	**5,550**
Non-current liabilities				
Borrowings	8,368	8,387	8,408	8,419
Deferred tax liabilities	469	581	581	581
	8,837	**8,968**	**8,989**	**9,000**
Current liabilities				
Trade and other payables	363	363	396	346
Current tax liabilities	2	1	-	-
	365	**364**	**396**	**346**
Total liabilities	**9,202**	**9,332**	**9,385**	**9,346**
Total equity and liabilities	**13,702**	**14,773**	**14,799**	**14,896**

Total assets of the Issuer as at 31 December 2019 amounted to €14.8 million (FY2018: €14.8 million) and mainly comprised investment property (GB Buildings) of €5.8 million, loans receivable from Group companies of €7.5 million, cash balances of €1.1 million and listed equity investments of €0.3 million.

Total liabilities as at 31 December 2019 amounted to €9.4 million (2018: €9.3 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 FY2020 compared to FY2019.

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 2019 included in the prior year's Financial Analysis Summary dated 14 June 2019 and the audited financial statements of the Issuer for the year ended 31 December 2019.

United Finance p.l.c. Statement of Comprehensive Income for the year ended 31 December 2019 €'000	Actual	Forecast	Variance
Rental income from GB Buildings	403	411	(8)
Income receivable from financial assets	3	16	(13)
Interest receivable from Group companies	393	474	(81)
Bank and bills of exchange interest receivable	1	-	1
Total revenue	800	901	(101)
Interest payable and similar charges	(471)	(471)	-
Gross profit	**329**	**430**	**(101)**
Administrative expenses	(172)	(182)	10
Movement in fair value of investment property	-	-	-
Profit before tax	**157**	**248**	**(91)**
Taxation	19	-	19
Profit for the year	**176**	**248**	**(72)**
Other comprehensive income:			-
Movement in fair value of financial assets	(73)	-	(73)
Total comprehensive income for the year	**103**	**248**	**(145)**

As presented in the above table, total comprehensive income was lower than projected by €145,000, mainly on account of lower than expected interest receivable from Group companies and a loss in fair value of financial assets which was not anticipated by the Company when the forecast accounts were prepared.

United Finance p.l.c. Cash Flow Statement for the year ended 31 December 2019 €'000	Actual	Forecast	Variance
Net cash from operating activities	1,496	67	1,429
Net cash from investing activities	(19)	16	(35)
Net cash from financing activities	(1,396)	(382)	(1,014)
Net movement in cash and cash equivalents	**81**	**(299)**	**380**
Cash and cash equivalents at beginning of year	988	988	-
Cash and cash equivalents at end of year	**1,069**	**689**	**380**

Net movement in cash balances was higher than projected by €380,000. Actual net cash inflows from operating activities amounted to €1.5 million compared to a forecast amount of €67,000, mainly reflecting higher than expected amounts received from Group companies (accounted for as trade and other receivables in current assets). In contrast, net cash outflows from financing activities was higher than projected by €1.0 million, due to higher amounts advanced to Group companies (accounted for as non-current assets).

United Finance p.l.c. **Statement of Financial Position** **as at 31 December 2019** **€'000**	**Actual**	**Forecast**	**Variance**
ASSETS			
Non-current	13,556	14,036	(480)
Current	1,243	817	426
	14,799	**14,853**	**(54)**
EQUITY AND LIABILITIES			
Equity	**5,414**	**5,559**	**(145)**
Liabilities			
Non-current	8,989	8,989	-
Current	396	305	91
	9,385	**9,294**	**91**
Total equity and liabilities	**14,799**	**14,853**	**(54)**

The principal variances in the statement of financial position are included in assets. During the year, more than expected receivables from Group companies in current assets were settled, but subsequently converted to non-current loans and advances to Group companies.

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 2017 to 31 December 2019. The financial information for the year ending 31 December 2020 has been provided by Group management.

United Group Limited **Statement of Comprehensive Income** **(€'000)**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Actual**	**FY2020** **Forecast**
Fashion retail	6,687	8,741	8,817	4,979
Automotive	2,312	2,702	3,115	1,755
Catering	-	165	341	98
Management fees	197	295	254	69
Rental income	350	370	392	525
Total revenue	**9,546**	**12,273**	**12,919**	**7,426**
Cost of sales	(5,789)	(8,023)	(8,680)	(5,381)
Net operating expenses	(2,800)	(3,524)	(2,464)	(989)
EBITDA	**957**	**726**	**1,775**	**1,056**
Depreciation and amortisation	(812)	(972)	(2,161)	(2,181)
Dividends receivable	-	-	-	2
Movement in fair value of investment property	-	1,115	1,505	1,385
Profit on disposal of properties & other assets	-	88	113	69
Operating profit	**145**	**957**	**1,232**	**331**
Share of results of associates & jointly controlled entities	1,589	2,159	902	346
Net finance costs	(734)	(817)	(1,235)	(1,352)
Profit (loss) before tax	**1,000**	**2,299**	**899**	**(675)**
Taxation	(5)	(159)	(87)	(120)
Profit (loss) for the year	**995**	**2,140**	**812**	**(795)**
Other comprehensive (loss)/income				
Fair value gain of property, plant & equipment	-	-	383	-
Movement in fair value of financial assets	(29)	(69)	(73)	**(59)**
Other	(11)	-	-	-
Total comprehensive income (expense) for the year	**955**	**2,071**	**1,122**	**(854)**

Key Accounting Ratios	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Operating profit margin *(EBITDA/revenue)*	10%	6%	14%	14%
Interest cover (times) *(EBITDA/net finance cost)*	1.30	0.89	1.44	0.78
Net profit margin *(Profit after tax/revenue)*	10%	17%	6%	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	40	87	33	n/a
Return on equity *(Profit after tax/shareholders' equity)*	21%	31%	10%	n/a
Return on capital employed *(Operating profit/total assets less current liabilities)*	1%	5%	4%	1%
Return on assets *(Profit after tax/total assets)*	5%	8%	2%	n/a

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. With regard to the catering activities, the Directors have taken the decision to wind down operations and will therefore not re-open the catering outlets.

The projections for FY2020 take into account the actual trading results of the Group for the six-month period from 1 January 2020 to 30 June 2020 and forecast for the remaining 6 months to 31 December 2020. Despite re-opening, there has been a significant curtailment of operations in the fashion retail and car rental businesses, which is expected to continue for the remainder of the year.

In view of the above, revenue in FY2020 is projected to decrease by €5.5 million (y-o-y) to €7.4 million, whereby revenue generated from each of fashion retail and automotive is expected to decline by 44%. Notwithstanding the significant reduction in revenue, EBITDA is expected to decrease by €0.7 million, from €1.8 million in FY2019 to €1.1 million, which factors in the cost cutting exercise undertaken by management as well as Government's support through the wage subsidy scheme until September 2020.

Share of results of associates & jointly controlled entities is projected to decrease by €0.6 million (y-o-y) to €0.3 million, but no material movements are expected in depreciation & amortisation, net finance costs and taxation. The projections assume an uplift of €1.4 million in the carrying value of Pinto Business Centre (aggregate property uplifts in FY2019: €1.5 million).

Overall, the Group is projected to register a loss for the year amounting to €795,000 compared to a profit of €812,000 in FY2019, and total comprehensive expense of €854,000 (FY2019: income of €1.1 million).

United Group Limited **Cash Flow Statement** **(€'000)**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Actual**	**FY2020** **Forecast**
Net cash from operating activities	1,234	1,980	2,161	(487)
Net cash from investing activities	(2,397)	(3,073)	(4,534)	(1,197)
Net cash from financing activities	514	1,480	1,416	313
Net movement in cash and cash equivalents	**(649)**	**387**	**(957)**	**(1,371)**
Cash and cash equivalents at beginning of year	(469)	(1,118)	(731)	(1,688)
Cash and cash equivalents at end of year	**(1,118)**	**(731)**	**(1,688)**	**(3,059)**

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. As for the projected year, it is assumed that the net cash outflows from operating activities will amount to €0.5 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 completion of the Pinto Business Centre, expected to amount to €1.5 million.

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 is projected to amount to €0.3 million.

United Group Limited **Statement of Financial Position** **(€'000)**	**31 Dec'17** **Actual**	**31 Dec'18** **Actual**	**31 Dec'19** **Actual**	**31 Dec'20** **Forecast**
ASSETS				
Non-current assets				
Property, plant and equipment	4,707	5,344	6,999	7,069
Investment property	6,321	8,889	12,483	15,474
Investments in associates & joint ventures	4,269	6,268	7,146	7,492
Right-of-use assets			4,549	3,848
Equity investments	447	379	305	246
Deferred tax assets	225	225	225	225
Trade and other receivables	173	357	352	398
	16,142	21,462	32,059	34,752
Current assets				
Inventories	2,294	1,949	1,621	1,202
Trade and other receivables	1,647	1,796	1,679	1,698
Taxation	319	57	-	-
Cash and cash equivalents	1,222	1,895	1,562	483
	5,482	5,697	4,862	3,383
Total assets	**21,624**	**27,159**	**36,921**	**38,135**
EQUITY				
Called up share capital	25	25	25	25
Other reserves	3,345	6,835	8,526	9,851
Retained earnings	1,474	56	(513)	(2,684)
	4,844	**6,916**	**8,038**	**7,192**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	8,853	10,470	12,812	14,810
Lease liabilities	-	-	3,780	3,198
Other non-current liabilities	1,640	2,163	2,810	3,129
	10,493	12,633	19,402	21,137
Current liabilities				
Bank overdrafts	2,340	2,626	3,250	3,542
Borrowings	832	436	383	-
Lease liabilities	-	-	898	640
Other current liabilities	3,115	4,548	4,950	5,624
	6,287	7,610	9,481	9,806
	16,780	**20,243**	**28,883**	**30,943**
Total equity and liabilities	**21,624**	**27,159**	**36,921**	**38,135**

Key Accounting Ratios	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Gearing ratio *(Net debt/net debt and shareholders' equity)*	69%	63%	71%	75%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	11.29	16.03	11.02	20.56
Net assets per share (€) *(Net asset value/number of shares)*	196	281	326	292
Liquidity ratio (times) *(Current assets/current liabilities)*	0.87	0.75	0.51	0.34

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 are projected to increase by €1.2 million, mainly on account of an increase of €3.0 million in carrying value of investment property (Pinto Business Centre), partly mitigated by a decrease of €1.1 million in cash balances and €0.7 million in value of right-of-use assets.

In FY2020, total liabilities are expected to increase by €2.1 million, primarily reflecting a €1.9 million increase in borrowings. Trade and other payables are projected to increase by €0.9 million, whilst a decrease of €0.8 million is estimated in the value of lease liabilities.

Gearing (financial leverage) of the United Group has increased since FY2018 primarily due to the additional bank loan needed to develop the Qormi Business Centre. In this regard, but also in view of lower liquidity in the projected year due to the COVID-19 pandemic, the Group's gearing level is expected to increase from 71% in FY2019 to 75% in FY2020.

The liquidity ratio is expected to deteriorate in FY2020, from 0.51 times in FY2019 to 0.34 times, principally due to a projected y-o-y increase of €0.7 million in short-term trade and other payables and a €1.5 million reduction in current assets.

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 2019 included in the prior year's Financial Analysis Summary dated 14 June 2019 and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

United Group Limited Statement of Comprehensive Income (€'000)	**FY2019 Actual**	**FY2019 Forecast**	**Variance**
Fashion retail	8,817	8,652	165
Automotive	3,115	3,333	(218)
Catering	341	500	(159)
Management fees	254	430	(176)
Rental income	392	377	15
Total revenue	**12,919**	**13,292**	**(373)**
Cost of sales and net operating expenses	(11,144)	(10,462)	(682)
EBITDA	**1,775**	**2,830**	**(1,055)**
Depreciation and amortisation	(2,161)	(2,125)	(36)
Dividends receivable	-	60	(60)
Movement in fair value of investment property	1,505	-	1,505
Profit on disposal of properties & other assets	113	74	39
Operating profit	**1,232**	**839**	**393**
Share of results of associates & jointly controlled entities	902	900	2
Net finance costs	(1,235)	(1,438)	203
Profit before tax	**899**	**301**	**598**
Taxation	(87)	(80)	(7)
Profit for the year	**812**	**221**	**591**
Other comprehensive (loss)/income			
Fair value gain of property, plant & equipment	383		383
Movement in fair value of financial assets	(73)	-	(73)
Other	-	-	-
Total comprehensive income for the year	**1,122**	**221**	**901**

As presented in the above table, the Group's revenue for FY2019 was lower than projected by €0.4 million, principally due to a decline in revenue in all segments other than the fashion retail sector.

EBITDA was lower than forecast by €1.1 million as direct costs and administrative expenses increased more than expected by €0.7 million. The gain in fair value of investment property and property, plant & equipment of €1.5 million and €0.4 million respectively resulted in actual total comprehensive income exceeding projected income by €0.9 million.

United Group Limited **Statement of Financial Position** **(€'000)**	**31 Dec'19** **Actual**	**31 Dec'19** **Forecast**	**Variance**
ASSETS			
Non-current assets			
Property, plant and equipment	6,999	4,869	2,130
Investment property	12,483	12,092	391
Investments in associates & joint ventures	7,146	7,168	(22)
Right-of-use assets	4,549	7,000	(2,451)
Equity investments	305	379	(74)
Deferred tax assets	225	225	-
Trade and other receivables	352	357	(5)
	32,059	32,090	(31)
Current assets			
Inventories	1,621	1,125	496
Trade and other receivables	1,679	1,300	379
Cash and cash equivalents	1,562	689	873
	4,862	3,114	1,748
Total assets	**36,921**	**35,204**	**1,717**
EQUITY			
Called up share capital	25	25	-
Other reserves	8,526	6,835	1,691
Retained earnings	(513)	277	(790)
	8,038	**7,137**	**901**
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	12,812	13,749	(937)
Other non-current liabilities	6,590	7,621	(1,031)
	19,402	21,370	(1,968)
Current liabilities			
Bank overdrafts	3,633	2,887	746
Other current liabilities	5,848	3,810	2,038
	9,481	6,697	2,784
	28,883	**28,067**	**816**
Total equity and liabilities	**36,921**	**35,204**	**1,717**

Total assets as at 31 December 2019 were higher than projected by €1.7 million which emanated entirely from current assets.

Right-of-use assets was over-estimated by €2.5 million, which was offset by higher than expected carrying value of property, plant & equipment and investment property.

Total liabilities were higher than projected by €0.8 million due to an increase in trade and other payables of €1.0 million and a decrease in borrowings of €0.2 million.

United Group Limited Cash Flow Statement (€'000)	FY2019 Actual	FY2019 Forecast	Variance
Net cash from operating activities	2,161	1,428	733
Net cash from investing activities	(4,534)	(1,137)	(3,397)
Net cash from financing activities	1,416	(1,538)	2,954
Net movement in cash and cash equivalents	**(957)**	**(1,247)**	**290**
Cash and cash equivalents at beginning of year	(731)	(731)	-
Cash and cash equivalents at end of year	**(1,688)**	**(1,978)**	**290**

Actual 2019 net cash from operating activities was better than expected by €0.7 million.

Net cash outflows from investing activities was higher than forecast by €3.4 million, mainly on account of the acquisition of Cosmana Navara, Rabat and progress development works of the Pinto Business Centre, Qormi.

Consequently, additional funding was required during the year, and hence the reason for the positive variance of €3.0 million in net cash from financing activities.

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	26,781,200	6.00% Pendergardens Dev. Plc Secured Bonds 2022	EUR

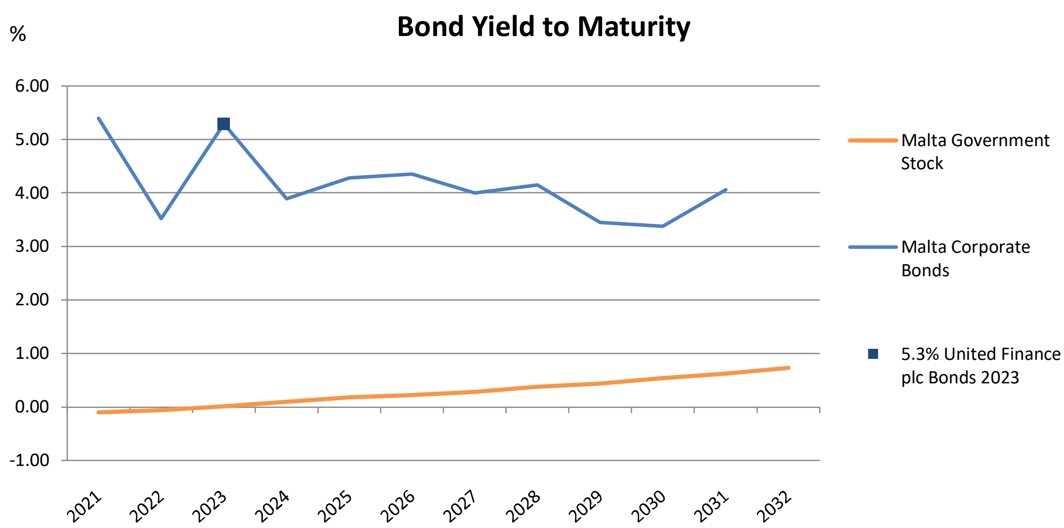
PART 3 - COMPARABLES

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	5.39	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	**8,500,000**	**5.29**	**1.44**	**36,921**	**8,038**	**70.88**
5.80% International Hotel Investments plc 2023	10,000,000	5.11	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.36	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.50	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.43	2.53	1,859	960,153	37.33
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.88	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.00	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

03-Aug-20

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 3 August 2020

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 5.29%, which is in line with other corporate bonds maturing in the same year. The premium over FY2023 Malta Government Stock is 528 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

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.