
FINANCIAL ANALYSIS SUMMARY

19 JUNE 2023

ISSUER

UNITED FINANCE P.L.C.

(C 26598)

Prepared by:



MZ INVESTMENTS



MZ INVESTMENT SERVICES

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

19 June 2023

Dear Board Members,

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing 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 this 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 most recent three financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 has been extracted from audited financial statements of the Company and Group.
- (b) The forecast information of the Company and the Group for the current financial year ending 31 December 2023 has been provided by the Group.
- (c) Our commentary on the financial performance, cash flows, and financial position of the Issuer and the Group is based on explanations provided by the Group.
- (d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – ‘Explanatory Definitions’ of this report.

63 St. Rita Street, Rabat RBT 1523, Malta

Tel: +356 2145 3739, 2145 9058 • Fax: +356 2145 3407 • Email: mzi@mzinvestments.com • Web: www.mzinvestments.com

*MZ Investments Services Ltd is a private limited liability company licensed to conduct investment services business by the Malta Financial Services Authority (License No IS23936)
Member of the Malta Stock Exchange. Enrolled Tied Insurance Intermediary under the Insurance Intermediaries Act, 2006 for MAPFRE MSV Life p.l.c.*

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- (e) Relevant financial data in respect of the companies included in Part 3 – ‘Comparative Analysis’ of this report has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

This 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. This Analysis does not contain all data that is relevant to investors or potential investors. Moreover, this 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 or not invest in any of the Company’s securities. We will not accept any liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company’s securities.

Yours faithfully,

Evan Mohnani
Head Corporate Finance Services

63 St. Rita Street, Rabat RBT 1523, Malta

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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 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 consolidated operations of the United Group comprise rental and leasing of vehicles and the ownership and management of commercial properties. The United Group is also a key stakeholder in Pendergardens and also has a joint controlling interest in Motors Inc. Limited, a leading car importer in Malta.

In June 2022, the Group set up United Developments Limited for the purpose of acquiring various sites and properties in Malta for eventual development and resale.

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.

Joseph F.X. Zahra	Chairman and Independent Non-Executive Director
Edmund Gatt Baldacchino	Chief Executive Officer
Simon Gatt Baldacchino	Non-Executive Director
James Bonello	Independent Non-Executive Director
Kevin Rapinett	Independent Non-Executive Director

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

Joseph F.X. Zahra	Chairman and Independent Non-Executive Directive
Edmund Gatt Baldacchino	Executive Director
Simon Gatt Baldacchino	Executive Director
Josianne Tonna	Non-Executive Director
Dolores Gatt Baldacchino	Non-Executive Director
Kevin Rapinett	Independent Non-Executive Director



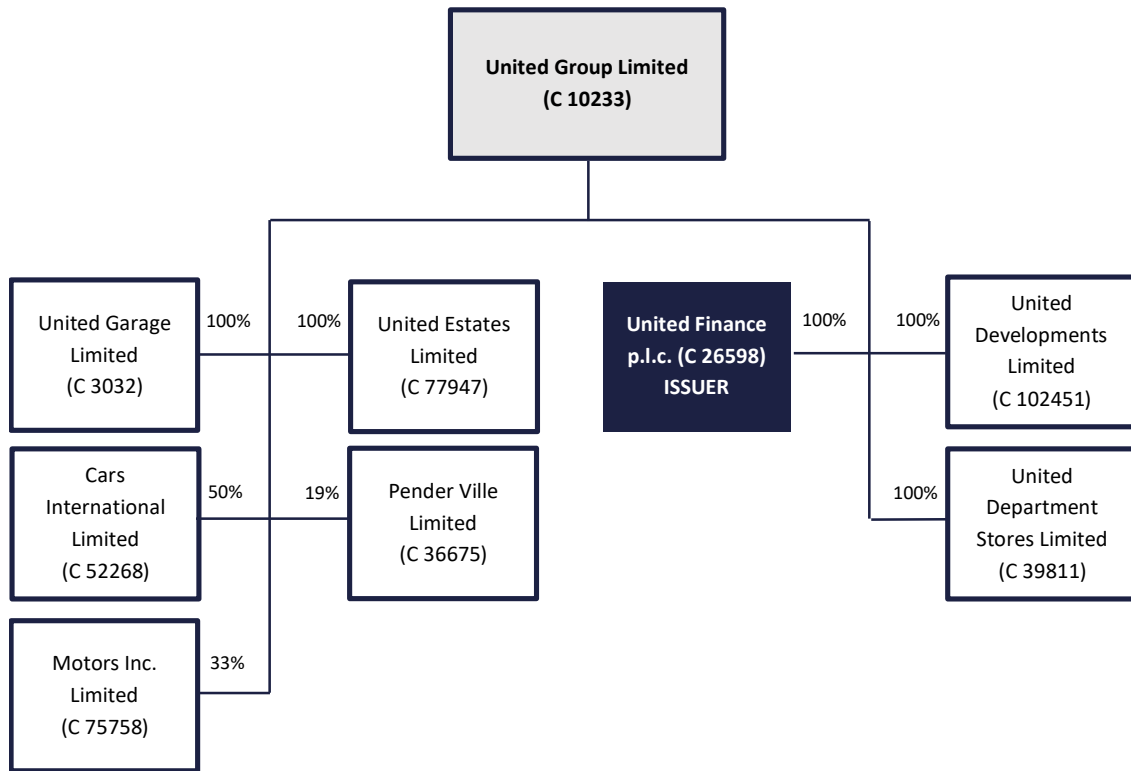
3.2 SENIOR MANAGEMENT

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:



United Estates Limited was incorporated on 4 November 2016. It is the main operating entity within the United Group’s real estate division. As at the date of this report, United Estates Limited owns investment property, namely Cosmana Navarra and Pinto Building Centre, and leases out Cosmana Navarra and the Pinto Building Centre to third parties. By Q3 of 2023, the company will have acquired additional properties, including GB Buildings and units at Pendergardens.



United Garage Limited was incorporated on 3 April 1957. Through United Garage Limited, the United Group operates a car rental and leasing business under the Hertz multi brand franchise including Thrifty, Dollar and Firefly.

United Developments Limited was incorporated on 1 June 2022. The company was set up with the intention of acquiring properties for development and eventual sale of individual residential units.

United Department Store Limited was incorporated on 25 October 2006. It is the operating entity within United Group’s retail division and currently operates one MAC Cosmetics outlet in Sliema, Malta.

Cars International Limited was incorporated on 15 March 2011. United Group Limited owns 50% of Cars International Limited, which operates in the automotive sector.

Motors Inc. Limited was incorporated on 25 May 2016, following the merger of Cars International Limited with Pater Group. United Group Limited owns 33.33% of Motors Inc., which constitutes the automotive arm of the Group and operates a multi-brand dealership for KIA®, DFM®, Alfa®, Jeep®, Fiat®, Iveco® and Hyundai®.

Pender Ville Limited was incorporated on 22 July 2005. 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.

United Catering Company Limited, incorporated on 18 September 2017, has no assets and is no longer in operation. As at the date of this report, United Catering Limited is in the process of being merged with United Group Limited and accordingly has been excluded from the above organigram.

5. MAJOR ASSETS OWNED BY THE GROUP

The major assets of the United Group are included in the consolidated balance sheet under the headings ‘property, plant and equipment’ and ‘investment property’, which are further analysed below:

United Group			
Major Assets	FY2020	FY2021	FY2022
	€’000	€’000	€’000
GB Buildings*	5,841	8,331	8,416
Pinto Business Centre	10,350	11,894	12,004
Cosmana Navara, Rabat	1,300	1,300	1,300
Motor vehicles	3,962	4,023	4,241
Other assets	1,044	626	735
	22,497	26,174	26,696

* Property is held directly by United Finance p.l.c.



The United Group owns a six-storey commercial building known as GB Buildings and located in Ta' Xbiex, Malta. The property has a net floor area of 2,510m² and comprises a showroom at ground floor and basement levels, and offices in the overlying four floors. The property is fully leased to third parties. In FY2021, the carrying value of the property was revalued by €2.43 million to €8.33 million (FY2022: €8.42 million).

The United Group also owns the Pinto Business Centre located in Qormi and comprises *circa* 3,400m² 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 property is fully occupied. As at 31 December 2022, the carrying value of the subject property amounted to €12.0 million (FY2021: €11.9 million).

Cosmana Navarra is a traditional Maltese 17th century townhouse located in the suburbs of Mdina, on the corner of St. Paul's Piazza, which originally belonged to Cosmana Navarra (1600-1687). The building is operated as a restaurant.

6. AUTOMOTIVE

The United Group operates the car rental and lease 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.

7. PROPERTY

The United Group's property portfolio comprises the GB Buildings, Pinto Business Centre and Cosmana Navarra as further described in section 5 of this report. In addition, the Group owns the Zeus Apartment, a property situated in Gozo.

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. As at the date of this report, all residential units forming part of Pendergardens have been sold. As such, the company is presently involved in the operation of the public car park and management of the Pendergardens Business Centre (which includes 5,200m² of office space) and the retail podium under Blocks 16 and 17.



8. MARKET OVERVIEW

8.1 ECONOMIC UPDATE¹

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023 and 2024. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. In consequence of robust GDP growth, public debt is forecast to remain below 60% of GDP.

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

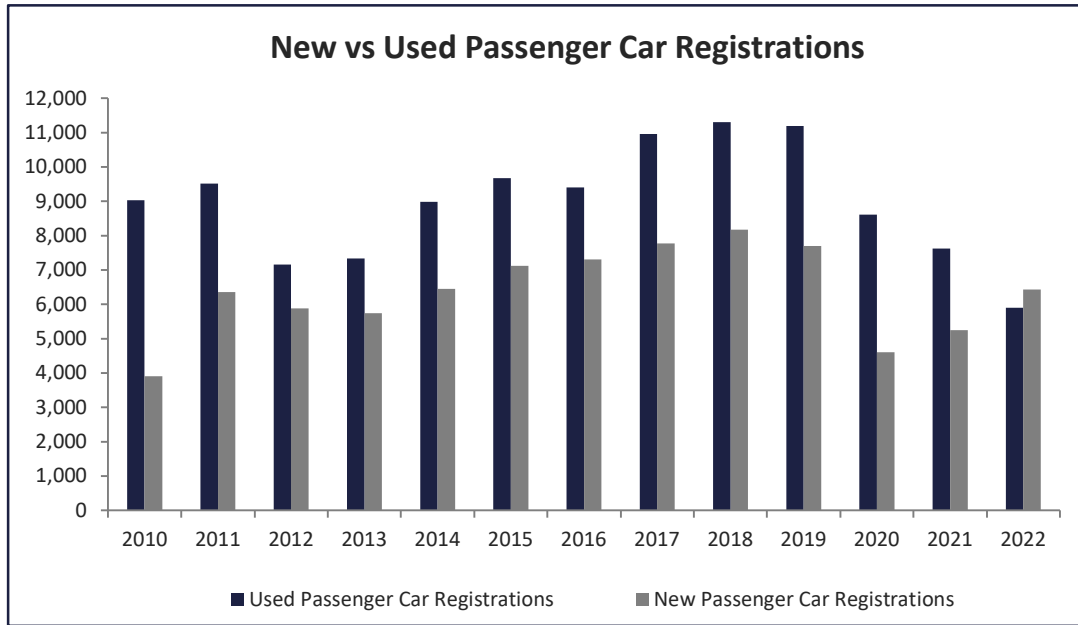
Harmonised Index of Consumer Prices (HICP) inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

¹ Economic Forecast – Spring 2023 (European Commission Institutional Paper 200 May '23).



8.2 IMPORTATION OF VEHICLES

Statistics published by the National Statistics Office Malta² relating to the automotive sector in Malta is provided in the table below.



The COVID-19 outbreak in March 2020 adversely 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 impacted discretionary expenditure by consumers. In 2022, new passenger car registrations decreased by 4.3% from 12,877 vehicles in 2021 to 12,328 vehicles (-34.7% or 6,561 vehicles when compared to 2019).

Newly licensed passenger cars put on the road during Q1 2023 amounted to 3,039 compared to 3,061 in Q1 2022. Newly licensed ‘new’ motor vehicles amounted to 1,601 or 52.7% of the total (Q1 2022: 1,552 or 50.7%), whereas newly licensed ‘used’ motor vehicles totalled 1,438 or 47.3% (Q1 2022: 1,509 or 49.3%).³

Market share of MIL

MIL’s market share of ‘new car registrations in Malta’ in 2022 is estimated at 15.33% (FY2021: 18.88%). The Group expects the market share of any particular brand to vary from year to year, due to factors such as, 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.

² National Statistics Office Malta – Motor Vehicles Q4/2022 (New Release 023/2023).

³ National Statistics Office Malta – Motor Vehicles Q1/2023 (New Release 071/2023).



8.3 VEHICLE RENTAL AND LEASING

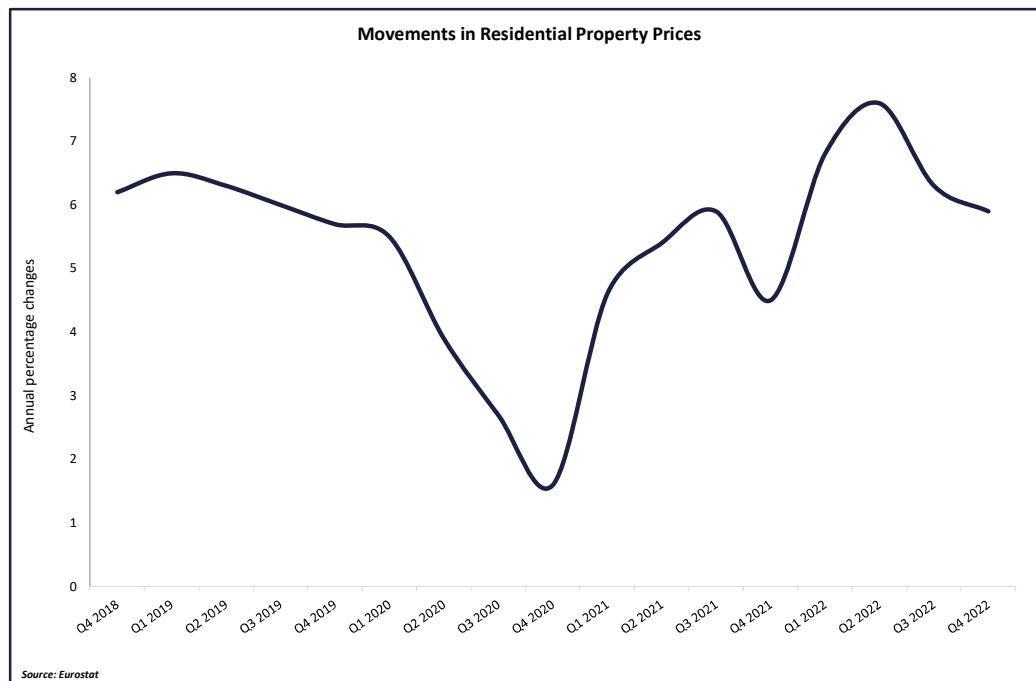
The car rental and leasing sector is highly competitive and pricing is one of the primary competitive factors in the industry. The internet has increased pricing transparency among car rental and leasing companies by enabling cost-conscious customers to more easily obtain and compare the rates available from various companies. Apart from the above, competition amongst car rental industry participants is also based on vehicle availability and quality, service, reliability, rental locations and product innovation.

The vehicle rental business is correlated to the tourism industry and as such, performance in FY2020 and FY2021 was significantly impacted by the COVID-19 pandemic. As health concerns and travel restrictions abated in FY2022, the Group's vehicle rental business recovered considerably. Further improvements in operational performance are expected in FY2023.

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.

8.4 PROPERTY

The NSO's Property Price Index (PPI) – which is based on actual transactions involving apartments, maisonettes and terraced houses – continued to increase in annual terms, albeit at a slower pace. The annual rate of change stood at 5.9% in the fourth quarter of 2022, from 6.3% in the third quarter of 2022 (see chart below). House price inflation in Malta was higher when compared to the euro area, where prices increased q-o-q by 3.0%.

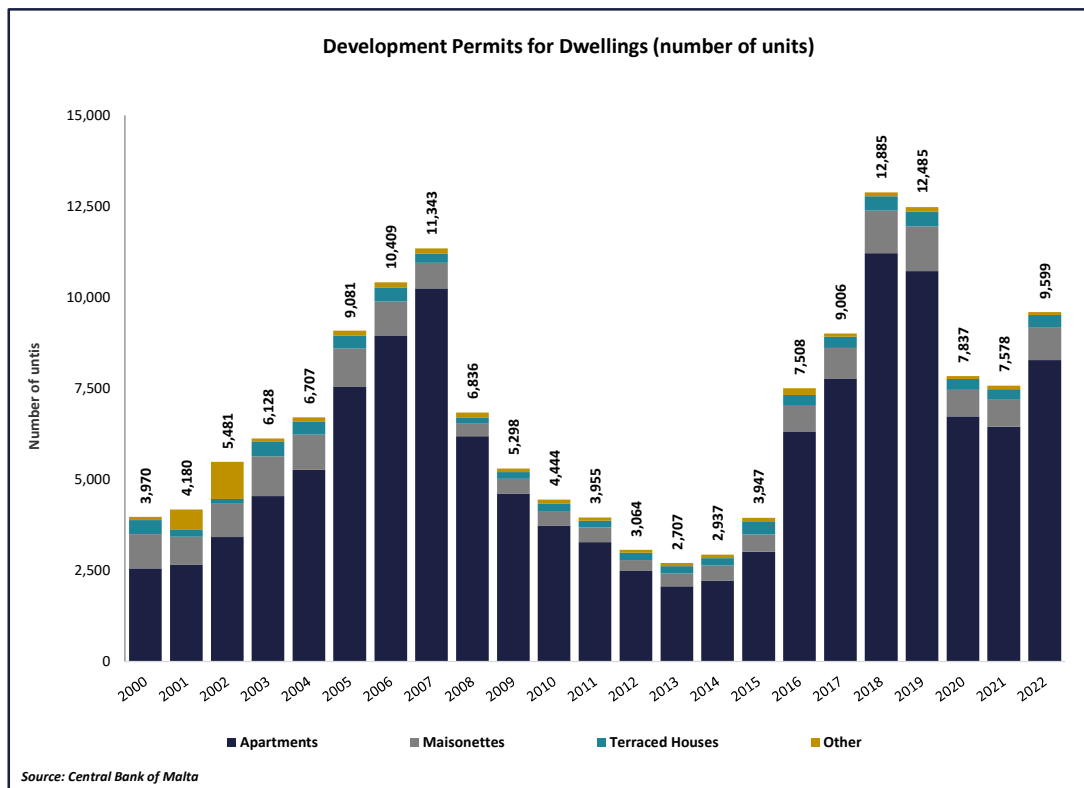


Residential property prices continue to be supported by numerous factors, including the Government schemes supporting demand for property, such as the first-time and second-time buyers' schemes, the purchase of properties located in Urban Conservation Areas (UCA), purchases of property in Gozo, as well as refund schemes for restoration expenses. The recovery of tourism and normalisation of migrant workers flows from pandemic lows may have also shored up demand for property and contributed to the recent increase in property prices.⁴

In 2021, the number of final deeds of sale relating to residential property amounted to 14,368 compared to 11,057 deeds in 2020 (+30%). The value of deeds completed in 2021 amounted to €3,155.3 million, an increase of 48% when compared to the prior year (2020: €2,126.6 million).

During 2022, 14,305 final deeds of sale were concluded, a decrease of 63 deeds from a year earlier (2021: 14,368 deeds). The value of the afore-mentioned deeds amounted to €3,248.8 million compared to €3,161.9 million in 2021 (+€86.9 million or +2.7%).⁵

In the first quarter of 2023, 3,088 final deeds were registered, an annual decrease of 9.4%. The value of the deeds registered during this period went up by 3.2% over the same quarter of the previous year and amounted to €789.9 million.⁶



⁴ Central Bank of Malta Quarterly Review (2023 Vol. 56 No. 1; page 43).

⁵ National Statistics Office Malta – News Release 006/2023.

⁶ National Statistics Office Malta – News Release 059/2023.

The number of residential building permits issued in 2022 amounted to 1,271 permits (2021: 1,633 permits) for the development of 9,599 residential units (2021: 7,578 residential units). As shown in the below chart, the number of units in 2022 (9,599) reflects a decrease of 26% from the all-time high of 12,885 units in 2018.⁷ During the first quarter of 2023, 496 building permits for a total of 2,540 new dwellings were approved. When compared to the same quarter of the previous year, the number of building permits decreased by 18.6% while the number of approved new dwellings decreased by 20.7%.⁸

Market data relating to commercial property in Malta (which includes industrial, logistics, warehousing, retail, hospitality and a predominant portion in the office asset class) is not available and thus makes it more difficult to gauge the health of this sector. The Group's property portfolio principally comprises two commercial buildings offering office space in Ta' Xbiex and Central Business District. As at the date of this report, both properties were fully occupied.

PART 2 – GROUP PERFORMANCE REVIEW

9. 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 2020 to 31 December 2022. The forecasted financial information for the year ending 31 December 2023 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.

⁷ <https://www.centralbankmalta.org/real-economy-indicators> (*Development Permits for Dwellings, by Type*).

⁸ National Statistics Office Malta – News Release 084/2023.



United Finance p.l.c.				
Statement of Comprehensive Income				
for the financial year 31 December				
	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Rental income from GB Buildings	376	427	474	247
Interest receivable from Group companies	450	437	399	387
Other income	-	3	17	-
Total revenue	826	867	890	634
Interest payable and similar charges	(473)	(477)	(482)	(423)
Gross profit	353	390	408	211
Administrative expenses	(222)	(228)	(271)	(212)
Movement in fair value of investment property	-	2,430	-	-
Profit / (loss) before tax	131	2,592	137	(1)
Taxation	-	(243)	-	824
Profit / (loss) for the year	131	2,349	137	823
Other comprehensive income:				
Movement in fair value of financial assets	(93)	-	-	-
Total comprehensive income / (expense) for the year	38	2,349	137	823

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 FY2022, total revenue amounted to €890,000 (FY2021: €867,000). After deducting interest payable of €482,000 (FY2021: €477,000), the Issuer generated a gross profit of €408,000 (FY2021: €390,000).

In FY2022, the Issuer reported a profit of €137,000 compared to €2.3 million in the prior year on account of a revaluation on GB Buildings which resulted in an increase in fair value of €2.4 million. Overall, total comprehensive income in FY2022 amounted to €137,000 (FY2021: €2.3 million).

During FY2023, the Issuer plans to sell GB Buildings to United Estates Limited and in consequence, rental income is projected to amount to €247,000 compared to €474,000 in the prior year. Interest payable of €423,000 represents interest due on the outstanding bonds until maturity in November 2023. After taking into account the reversal of deferred taxation relating to GB Buildings amounting to €824,000, the Issuer expects to report total comprehensive income of €823,000.



United Finance p.l.c.				
Cash Flow Statement				
for the financial year 31 December				
	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from / (used in) operating activities	(38)	(377)	(308)	105
Net cash from / (used in) investing activities	194	(1,010)	1,632	8,100
Net cash from / (used in) financing activities	(426)	1,000	(160)	(9,515)
Net movement in cash and cash equivalents	(270)	(387)	1,164	(1,310)
Net movement in restricted cash	-	(100)	-	-
Cash and cash equivalents at beginning of year	1,069	799	312	1,476
Cash and cash equivalents at end of year	799	312	1,476	166

In FY2022, net cash used in operating activities amounted to €308,000, compared to outflows of €377,000 in the previous year, which principally emanated from an adverse movement in trade and other receivables. In FY2023, the Issuer is projecting to generate net cash from operating activities of €105,000.

Net cash from investing activities amounted to €1.6 million in FY2022 and comprised net repayment of loans by Group companies of €1.7 million (FY2021: cash outflows of €0.95 million) and capital expenditure related to investment property amounting to €85,265 (FY2021: €60,090). In FY2023, the Issuer is expected to conclude the sale of GB Buildings to United Estates Limited for the consideration of €8.4 million, of which, an amount of €8.1 million is expected to be received in FY2023.

In FY2022, cash flows used in financing activities amounted to €160,052 and related to the repayment of a bank loan (FY2021: proceeds from bank loan of €1.0 million). In FY2023, net cash used in financial activities is projected to amount to €9.5 million and will mainly comprise the redemption of bonds amounting to €8.5 million. The remaining balance is expected to relate to net repayment of borrowings and interest payable.



United Finance p.l.c.				
Statement of Financial Position				
as at 31 December				
	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current				
Investment property	5,841	8,331	8,416	-
Financial assets	7,848	8,788	100	8,923
	13,689	17,119	8,516	8,923
Current				
Financial assets	40	150	7,121	240
Trade and other receivables	350	904	1,315	350
Cash and cash equivalents	799	312	1,476	166
	1,189	1,366	9,912	756
Total assets	14,878	18,485	18,428	9,679
EQUITY AND LIABILITIES				
Equity				
Share capital	2,329	2,329	2,329	2,329
Other reserves	2,578	4,765	4,765	-
Retained earnings	545	707	844	6,432
	5,452	7,801	7,938	8,761
Non-current liabilities				
Borrowings	8,430	9,454	840	570
Deferred tax liabilities	581	824	824	-
	9,011	10,278	1,664	570
Current liabilities				
Borrowings	-	-	8,478	-
Trade and other payables	415	406	348	348
	415	406	8,826	348
Total liabilities	9,426	10,684	10,490	918
Total equity and liabilities	14,878	18,485	18,428	9,679

Total assets of the Issuer as at 31 December 2022 amounted to €18.4 million (2021: €18.5 million) and principally included investment property (GB Buildings, Ta' Xbiex) of €8.3 million and loans receivable from Group companies of €8.4 million. Cash balance for the year under review amounted to €1.5 million compared to €0.3 million in the previous year.

Total liabilities as at 31 December 2022 amounted to €10.5 million (2021: €10.7 million) and primarily comprised the €8.5 million 5.3% bonds 2023. In 2021, the Issuer obtained an MDB (Malta Development Bank) loan amounting to €1.0 million, which has since been reduced to €840,000.

In FY2023, Group loans receivable (classified as financial assets) are expected to increase to €9.2 million from €7.2 million in the prior year. The €8.5 million 5.3% bonds 2023 are redeemable on 6



November 2023. The Issuer intends to finance the redemption of said bonds using the funds received from United Estates Limited in consideration for the sale of GB Buildings. In consequence, other reserves (or revaluation reserve) and deferred tax liabilities will be reversed.

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 2020 to 31 December 2022. The financial information for the year ending 31 December 2023 has been provided by Group management.

United Group Limited				
Statement of Comprehensive Income				
for the financial year 31 December	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
<i>Retail</i>	4,552	1,441	303	320
<i>Automotive</i>	1,693	2,328	3,267	4,119
<i>Catering</i>	96	-	-	-
<i>Management fees</i>	251	511	419	395
<i>Rental income</i>	454	841	1,125	1,358
Total revenue	7,046	5,121	5,114	6,192
Cost of sales	(5,552)	(3,546)	(3,044)	(3,850)
Net operating income / (expenses)	(747)	302	119	603
EBITDA	747	1,877	2,189	2,945
Depreciation and amortisation	(2,106)	(1,151)	(960)	(1,182)
Movement in fair value of investment property	1,258	3,364	-	-
Operating profit / (loss)	(101)	4,090	1,229	1,763
Share of results of associates & jointly controlled entities	52	350	461	267
Net finance costs	(1,120)	(1,032)	(1,222)	(1,392)
Profit / (loss) before tax	(1,169)	3,408	468	638
Taxation	(100)	(168)	-	-
Profit / (loss) for the year	(1,269)	3,240	468	638
Movement in fair value of financial assets	(93)	-	-	-
Total comprehensive income / (expense) for the year	(1,362)	3,240	468	638



Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
EBITDA margin (%) <i>(EBITDA / revenue)</i>	10.60	36.65	42.80	47.56
Operating profit margin (%) <i>(Operating profit / revenue)</i>	(1.43)	79.87	24.03	28.47
Net profit margin (%) <i>(Profit after tax / revenue)</i>	(18.01)	63.27	9.15	10.30
Return on equity (%) <i>(Profit after tax / average equity)</i>	(17.25)	39.05	4.61	6.00
Return on assets (%) <i>(Profit after tax / average assets)</i>	(3.42)	8.61	1.21	1.58
Return on invested capital (%) <i>(Operating profit / average equity and net debt)</i>	(0.37)	14.47	4.18	5.66
Interest cover (times) <i>(EBITDA / net finance costs)</i>	0.67	1.82	1.79	2.12

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 and 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** decreased by €1.9 million, from €7.0 million in FY2020 to €5.1 million, mainly on account 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 (being car rentals and car leasing) increased by 38% (y-o-y) to €2.3 million in view of the gradual re-opening of the travel industry. During the year, the Group continued to lease out space at the Pinto Business Centre and as such, rental income almost doubled from €454,000 in FY2020 to €841,000 in FY2021.

Notwithstanding the decrease in revenue, the Group reported an improvement in EBITDA of €1.1 million (y-o-y) to €1.9 million on account of a reduction in cost of sales and a net positive variance in net operating income/expenses of €2.1 million and €1.0 million respectively from the prior year. EBITDA margin increased from 11% in FY2020 to 37%, while interest cover increased from 0.67 times in FY2020 to 1.82 times.

Since the Group terminated most of the lease obligations relating to the retail outlets, depreciation and amortisation decreased from €2.1 million in FY2020 to €1.2 million following the reduction of amortisation of right-of-use assets. Similarly, net finance costs decreased by €88,000 to €1.0 million on account of the non-recurrence of certain rent interest.

In FY2021, the Group increased the fair value of GB Buildings and Pinto Business Centre by €3.4 million (as described further in section 5 of this report).

Share of results of associates and jointly controlled entities comprises the Group's investment in Pendergardens and Motors Inc. Ltd. In FY2021, the share of profits thereof increased from €52,000 in FY2020 to €350,000. The Group registered a profit for the year amounting to €3.2 million compared to a loss of €1.3 million in FY2020.

In **FY2022**, the Group's total revenue remained broadly unchanged from FY2021 at €5.1 million (FY2021: €5.1 million). Revenue generated from the automotive segment increased by 40% (or €1.0 million) to €3.3 million due to the further recovery of the travel and hospitality sectors. Furthermore, rental income increased from €0.8 million in FY2021 to €1.1 million as GB Buildings and Pinto Business Centre reached full occupancy. On the other hand, in view of the closure of substantially all fashion retail stores in FY2021, revenue from this segment decreased by €1.1 million to €0.3 million.

EBITDA amounted to €2.2 million compared to €1.9 million in FY2021. In the prior year, the Group benefited from COVID-19 related grants amounting to *circa* €450,000, which were terminated in the initial months of FY2022. The Group achieved an EBITDA margin of 43% compared to 37% in FY2021, while interest cover remained fairly stable at 1.79 times.

Depreciation and amortisation charges and net finance costs were little changed from the previous year. Overall, total comprehensive income for FY2022 amounted to €0.5 million compared to €3.2 million in FY2021. In the previous year, the Group's profit was positively impacted by an uplift of €3.4 million in the carrying value of GB Buildings and Pinto Business Centre.



Revenue in **FY2023** is expected to increase by €1.1 million, from €5.1 million in FY2022 to €6.2 million, principally on account of a projected increase of €0.9 million in the automotive sector. Furthermore, rental income is projected to increase y-o-y by €0.3 million.

The projected increase in revenue is expected to impact EBITDA positively by €0.8 million (+35%) to €2.9 million and EBITDA margin should improve from 43% in FY2022 to 48% in FY2023. As a result, interest cover is expected to strengthen to 2.12 times (FY2022: 1.79 times).

Overall, the Group expects to register total comprehensive income in the projected year of €0.6 million compared to €0.5 million in the prior year.

United Group Limited				
Cash Flow Statement				
for the financial year 31 December	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from / (used in) operating activities	772	(55)	612	1,404
Net cash from / (used in) investing activities	(2,571)	(841)	(1,136)	(1,604)
Net cash from / (used in) financing activities	1,204	1,572	1,747	(876)
Net movement in cash and cash equivalents	(595)	676	1,223	(1,076)
Cash and cash equivalents at beginning of year	(1,688)	(2,283)	(1,607)	(384)
Cash and cash equivalents at end of year	(2,283)	(1,607)	(384)	(1,460)

Net cash flows from operating activities principally relate to the operations of the Group. In FY2022, the Group generated €0.6 million in cash from operating activities after working capital changes and interest paid. On account of the ongoing improvement in business activities, net cash inflows are expected to more than double to €1.4 million in FY2023.

Net cash flows from investing activities mainly reflect the acquisition and disposal of investment property and property, plant and equipment, and property development works. In FY2022, net purchases of property, plant and equipment amounted to €0.72 million (FY2021: €0.17 million), while €0.41 million (FY2021: €0.67 million) was utilised for capital expenditure related to Pinto Business Centre. In FY2023, the Group expects to utilise €1.5 million to repay amounts due to Pender Ville Limited and €0.1 million being net payments in relation to capital expenditure.

In FY2022, cash generated from financing activities amounted to €1.7 million and primarily represented net borrowings and lease payments (FY2021: €1.6 million). The Group is projecting net cash used in financing activities to amount to €0.9 million. The repayment of outstanding bonds amounting to €8.5 million will be financed from a bank loan facility not yet drawn down and the Group's own funds.



United Group Limited				
Statement of Financial Position				
as at 31 December				
	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Property, plant and equipment	5,006	4,649	4,756	6,658
Investment property	17,491	21,525	21,940	28,124
Investments in associates & joint ventures	7,198	7,548	8,009	2,888
Right-of-use assets	3,512	589	598	381
Deferred tax assets	782	932	932	932
Trade and other receivables	79	54	286	-
	<u>34,068</u>	<u>35,297</u>	<u>36,521</u>	<u>38,983</u>
Current assets				
Inventories	1,048	130	123	1,161
Trade and other receivables	951	1,795	1,189	695
Cash and cash equivalents	1,231	770	1,744	550
	<u>3,230</u>	<u>2,695</u>	<u>3,056</u>	<u>2,406</u>
Total assets	<u>37,298</u>	<u>37,992</u>	<u>39,577</u>	<u>41,389</u>
EQUITY				
Called up share capital	25	25	25	25
Retained earnings	6,652	9,891	10,360	10,848
	<u>6,677</u>	<u>9,916</u>	<u>10,385</u>	<u>10,873</u>
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	14,433	10,235	9,364	19,541
Lease liabilities	2,791	467	392	259
Other non-current liabilities	4,022	4,340	4,215	3,426
	<u>21,246</u>	<u>15,042</u>	<u>13,971</u>	<u>23,226</u>
Current liabilities				
Bank overdrafts	3,514	2,377	2,128	2,010
Borrowings	563	6,444	9,198	-
Lease liabilities	967	150	253	150
Other current liabilities	4,331	4,063	3,642	5,130
	<u>9,375</u>	<u>13,034</u>	<u>15,221</u>	<u>7,290</u>
	<u>30,621</u>	<u>28,076</u>	<u>29,192</u>	<u>30,516</u>
Total equity and liabilities	<u>37,298</u>	<u>37,992</u>	<u>39,577</u>	<u>41,389</u>
<i>Total debt</i>	<i>22,268</i>	<i>19,673</i>	<i>21,335</i>	<i>21,960</i>
<i>Net debt</i>	<i>21,037</i>	<i>18,903</i>	<i>19,591</i>	<i>21,410</i>
<i>Invested capital (total equity plus net debt)</i>	<i>27,714</i>	<i>28,819</i>	<i>29,976</i>	<i>32,283</i>



Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Net debt-to-EBITDA (<i>times</i>) (<i>Net debt / EBITDA</i>)	28.16	10.07	8.95	7.27
Net debt-to-equity (<i>times</i>) (<i>Net debt / total equity</i>)	3.15	1.91	1.89	1.97
Net gearing (%) (<i>Net debt / net debt and total equity</i>)	75.91	65.59	65.36	66.32
Debt-to-asset (<i>times</i>) (<i>Total debt / total assets</i>)	0.60	0.52	0.54	0.53
Leverage (<i>times</i>) (<i>Total assets / total equity</i>)	5.59	3.83	3.81	3.81
Current ratio (<i>times</i>) (<i>Current assets / current liabilities</i>)	0.34	0.21	0.20	0.33

Total assets in **FY2022** increased by €1.6 million (y-o-y) to €39.6 million mainly on account of capital expenditure relating to property, plant and equipment and improvements to investment property. In current assets, receivables decreased y-o-y by €0.6 million to €1.2 million, while cash balances improved from €0.8 million in 2021 to €1.7 million in 2022.

Borrowings increased y-o-y by €1.6 million to €21.3 million, though net gearing ratio of the Group was unchanged at 65%. Due to higher y-o-y EBITDA, net debt to EBITDA improved from 10.07 times in FY2021 to 8.95 times. The liquidity ratio remained relatively weak from the prior year at 0.20 times.

In **FY2023**, Pender Ville Limited will be reducing considerably its operations and in consequence, the Group expects to receive a dividend from Pender Ville Limited in the form of investment property. Accordingly, the Group's investment property is projected to increase y-o-y by €6.2 million to €28.1 million, while investments in associates and joint ventures are expected to decrease y-o-y by €5.1 million to €2.9 million, and thereby reflecting only the Group's shareholding in Motors Inc. Limited.

Group borrowings are expected to increase from €20.7 million in FY2022 to €21.6 million and will principally comprise bank loan facilities since the €8.5 million in 5.3% bonds are expected to be redeemed in November 2023. Net debt to EBITDA is projected to decline further y-o-y to 7.27 times (FY2022: 8.95 times).



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 2022 included in the prior year's Financial Analysis Summary dated 24 June 2022 and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

United Group Limited			
Statement of Comprehensive Income			
for the financial year 31 December	2022	2022	2022
	Actual	Forecast	Variance
	€'000	€'000	€'000
<i>Fashion retail</i>	303	238	65
<i>Automotive</i>	3,267	3,382	(115)
<i>Management fees</i>	419	330	89
<i>Rental income</i>	1,125	1,097	28
Total revenue	5,114	5,047	67
Cost of sales	(3,044)	(1,811)	(1,233)
Net operating income / (expenses)	119	(1,173)	1,292
EBITDA	2,189	2,063	126
Depreciation and amortisation	(960)	(1,067)	107
Operating profit	1,229	996	233
Share of results of associates & jointly controlled entities	461	199	262
Net finance costs	(1,222)	(1,144)	(78)
Profit before tax	468	51	417
Taxation	-	-	-
Profit for the year	468	51	417
Total comprehensive income / (expense) for the year	468	51	417

As presented in the above table, the Group's revenue for FY2022 was in line with the projected figure. Overall, actual net profit for the year was better than expected by €0.4 million.



United Group Limited			
Cash Flow Statement			
for the financial year 31 December			
	2022	2022	2022
	Actual	Forecast	Variance
	€'000	€'000	€'000
Net cash from / (used in) operating activities	612	(190)	802
Net cash from / (used in) investing activities	(1,136)	138	(1,274)
Net cash from / (used in) financing activities	1,747	1,127	620
Net movement in cash and cash equivalents	1,223	1,075	148
Cash and cash equivalents at beginning of year	(1,607)	(1,607)	-
Cash and cash equivalents at end of year	(384)	(532)	148

The cash position of the Group was better than projected by €148,000.

In FY2022, net expenditure of a capital nature was higher than expected by €1.3 million. This adverse variance was compensated for by positive variances in net cashflows from operating and financing activities.



United Group Limited			
Statement of Financial Position			
as at 31 December			
	2022	2022	2022
	Actual	Forecast	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	4,756	4,664	92
Investment property	21,940	21,525	415
Investments in associates & joint ventures	8,009	7,746	263
Right-of-use assets	598	457	141
Deferred tax assets	932	932	-
Trade and other receivables	286	190	96
	<u>36,521</u>	<u>35,514</u>	<u>1,007</u>
Current assets			
Inventories	123	141	(18)
Trade and other receivables	1,189	1,815	(626)
Cash and cash equivalents	1,744	1,722	22
	<u>3,056</u>	<u>3,678</u>	<u>(622)</u>
Total assets	<u>39,577</u>	<u>39,192</u>	<u>385</u>
EQUITY			
Called up share capital	25	25	-
Retained earnings	10,360	10,207	153
	<u>10,385</u>	<u>10,232</u>	<u>153</u>
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	9,364	9,476	(112)
Lease liabilities	392	467	(75)
Other non-current liabilities	4,215	2,321	1,894
	<u>13,971</u>	<u>12,264</u>	<u>1,707</u>
Current liabilities			
Bank overdrafts	2,128	2,254	(126)
Borrowings	9,198	8,479	719
Lease liabilities	253	31	222
Other current liabilities	3,642	5,932	(2,290)
	<u>15,221</u>	<u>16,696</u>	<u>(1,475)</u>
	<u>29,192</u>	<u>28,960</u>	<u>232</u>
Total equity and liabilities	<u>39,577</u>	<u>39,192</u>	<u>385</u>

No material variances were noted when comparing the actual financial position of the Group as at 31 December 2022 against the projected financial position as at 31 December 2022 included in the prior year's Financial Analysis Summary.



PART 3 – COMPARATIVE ANALYSIS

The €8.5 million 5.30% United Finance plc unsecured bonds will mature on 6 November 2023. Given the short time period to redemption, a comparative analysis with other listed debt securities has not been prepared.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
<i>Revenue</i>	Total income generated from business activities.
<i>EBITDA</i>	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
<i>Operating profit / (loss)</i>	Profit or loss from operating activities including movements in the fair value of investment property but excluding the share of results of associated undertakings, net finance costs, and taxation.
<i>Profit / (loss) after tax</i>	Net profit or loss recorded from all business activities.

Profitability Ratios	
<i>EBITDA margin</i>	EBITDA as a percentage of revenue.
<i>Operating profit margin</i>	Operating profit or loss as a percentage of total revenue.
<i>Net profit margin</i>	Profit or loss after tax as a percentage of total revenue.
<i>Return on equity</i>	Measures the rate of return on the company's net assets and is computed by dividing the net profit or loss by average equity.
<i>Return on assets</i>	Measures the rate of return on the company's assets and is computed by dividing the net profit or loss by average assets.
<i>Return on invested capital</i>	Measures the rate of return from core operations and is computed by dividing operating profit or loss by the average amount of equity and net debt.



Cash Flow Statement

<i>Net cash flow from / (used in) operating activities</i>	The amount of cash generated (or consumed) from the normal conduct of business.
<i>Cash flow from / (used in) investing activities</i>	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
<i>Cash flow from / (used in) financing activities</i>	The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and borrowings.

Statement of Financial Position

<i>Non-current assets</i>	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises 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 acquired.
<i>Current assets</i>	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
<i>Non-current liabilities</i>	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
<i>Current liabilities</i>	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
<i>Total equity</i>	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength/Credit Ratios

<i>Interest cover</i>	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
<i>Net debt-to-EBITDA</i>	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
<i>Net debt-to-equity</i>	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
<i>Net gearing</i>	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.



<i>Debt-to-asset</i>	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
<i>Leverage</i>	Shows how much equity a company is using to finance its assets.
<i>Current ratio</i>	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.

