

United Finance plc
United House
66 Gzira Road
Gzira GZR 04, Malta
Tel: (+356) 21 314630/1/2/3
Fax: (+356) 21 322544/320687
e-mail: info@unitedfinance.com.mt
Reg. No: C26598

COMPANY ANNOUNCEMENT

The following is a Company Announcement by United Finance p.l.c. (the "Company") pursuant to the Malta Financial Services Authority Listing Rules Chapter 5.

Quote

The Board of Directors of United Finance p.l.c (the "Company") has today the 29 May 2020 met and approved the Annual Report and Financial Statements of the Company for the year ended 31st December 2019 and resolved to propose the same for the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The Board of Directors has also authorised for publication the said Annual Report and Financial Statements, which are attached herewith and are available for viewing at the website of the Company at <http://www.unitedgroup.com.mt/financial-type/financial-reports/>

Unquote



Godwin Spiteri
Company Secretary
29 May 2020

UNITED FINANCE P.L.C.

Annual Report and Financial Statements
31 December 2019

	Pages
Directors' report	1 - 4
Corporate Governance – Statement of Compliance	5 - 8
Independent auditor's report	9 - 16
Statement of financial position	17 - 18
Income statement	19
Statement of comprehensive income	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23 - 48

Directors' report

The directors present the audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is to act as a finance company for the United Group of Companies (United Group), of which the Company is a member, principally by advancing amounts on loan to other group companies for investments and working capital requirements. The Company also holds investment property which it leases out to related and non-related parties. There has been no change in activities since the previous reporting year.

Review of the business

During the year under review, the Company registered a profit before taxation amounting to €157,537 (2018: €1,331,565). Profit for the year after tax amounted to €176,474 (2018: €1,220,109).

Financial Performance

Revenue is mainly generated from rental income derived from leasing out the Company's property situated in Ta' Xbiex amounting to €402,615 (2018: €403,593) and from interest on loans advanced to Group Companies amounting to €393,337 (2018: €399,865). Finance costs comprise interest payable on the outstanding bond issue and amortisation of the issue costs thereof amounting to €471,335 (2018: €470,226). Administrative expenses mainly comprise directors' emoluments amounting to €39,134 (2018: €38,696) and management fees payable to the Parent Company amounting to €70,000 (2018: €70,000).

Performance of the Company is consistent with last year, with the main variances attributable to fair value losses in the equity investments portfolio of €73,679 (2018: €68,698) and the re-valuation of the investment property in 2018 whereby its fair value, net of deferred tax increased by €1,003,109. There were no revaluation adjustments in 2019.

The directors do not expect any significant changes in the Company's activities in the short term and expect that the Company will continue to be profitable in the foreseeable future.

Financial Position

The Company's total asset base stands at €14,798,770, an increase of €25,325 over the prior year. The Company's asset base is 37% (2018: 37%) funded through equity. Main non-current assets comprise the G. B. Buildings, classified as investment property and measured at fair value and loans and advances to Group entities, repayable in full by 2023.

The Company's main liabilities are the €8.5 million 5.3% 2023 Bond issue and a deferred tax liability on the theoretical Final Withholding Tax payable in the event of disposal of the G.B. Buildings. The directors have no intention of disposing this property in the foreseeable future.

As at 31 December 2019, the Company's current assets amounted to €1,243,142 (2018: €3,030,585) and are mainly represented by loans receivable from Group companies of €91,914 (2018: €1,905,892) and cash of €1,069,091 (2018: €987,988). Total current liabilities represent trade and other payables of €395,596 (2018: €363,854).

Liquidity position has remained strong, with the Company having a current ratio of 3.14 (2018: 8.32). The main reason for the decrease in 2019 as compared to 2018 is that some current intercompany receivables have been restructured to non-current loans.

Results and dividends

The financial results are set out in the income statement and statement of comprehensive income on pages 19 and 20. During the year, the directors declared a dividend of €130,000 (2018: €130,000) and propose that the balance of retained earnings amounting to €545,091 (2018: €498,617) be carried forward to the next financial year.

Directors' report - continued

Principal risks and uncertainties faced by the Company

The Company's main objective, as a finance company for the United Group, is to effectively and efficiently manage the financing requirements of the Group's working capital. In this context, the Company's trading prospects are dependent on the performance of the companies within the Group to which amounts have been advanced by the Company by way of loan.

The Group's business activities are all concentrated in and aimed at the Maltese market. Accordingly, the Group is highly susceptible to the negative economic trends that may from time to time be felt in Malta.

Within this context, the directors have evaluated the risks faced by the various companies to which funds have been advanced, and continue to monitor closely the impact of events as they take place in the local and global economy and how these impact the ability of the various companies within the Group so as to honour their financial commitments. On the basis of this analysis, the directors are of the view that all amounts receivable by the company are recoverable. Refer to Note 2 "Financial Risk Management" that details the key risk factors including market risk (foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk, and the Company's approach to managing these risks.

COVID-19 and potential impact on financial and operational performance

The majority of United Group's operations have been affected by the COVID-19 pandemic which affected the general economic and consumer trends worldwide. The outbreak of the pandemic in early 2020 has caused disruption to businesses and economic activity, which has also been reflected in recent fluctuations in global stock markets.

United Finance p.l.c. is not directly dependent on industries that have been directly impacted by COVID-19 and it continues to register profitability and positive cashflows from the raising of interest and rental income. However, recoverability of amounts loaned to the parent and subsidiaries of the Group is dependent on the performance of the respective Group entities some of which are involved in industries that have been impacted by the pandemic.

On the basis of cash flow and profitability projections and the remedial actions described in further detail in Note 1.1, management and the board of directors remain confident that the Company will remain operating as a going concern and will continue to honour liabilities as and when they fall due. Should the market not recover as anticipated by management and by the board of directors, and therefore should profitability and cashflow projections not materialise as planned, the board remains committed to explore mechanisms of financing for the business to honour its commitments.

The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. As disclosed further in Note 1.1, given the inherent uncertainties, it is difficult to ascertain the impact of COVID-19 on the Group, or to provide a quantitative estimate of this impact.

Directors

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

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

The Board meets on a regular basis to discuss performance, position and other matters. The Company's Articles of Association do not require any director to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of United Finance p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Disclosure in terms of the Listing Rules

Going concern statement pursuant to Listing Rule 5.62

After making enquiries and having taken into consideration the future plans of the Group, including the potential impact on financial and operational performance following the COVID-19 outbreak (note 1.1), the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Statement of responsibility pursuant to the Listing rules issued by the Listing Authority

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2019, and of the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company and the guarantor face.

Directors' report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Carmen Gatt Baldacchino
Director



Edmund Gatt Baldacchino
Director

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

Godwin Spiteri
Company secretary

29 May 2020

Corporate Governance – Statement of Compliance

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

Compliance

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

The Board

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

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

Chairperson and Chief Executive Officer

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

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

Complement of the Board

The Board is composed of one executive and four non-executive directors, as listed below. The directors, except for James Bonello, who was appointed director on the 16 June 2008, and Joseph F.X. Zahra, who was appointed on the 1 June 2014, are the same as those at the date of incorporation of the Company, all directors having been reappointed to their post on a yearly basis.

Executive Director

Edmund Gatt Baldacchino (Chief Executive Officer)

Non-Executive Directors

Carmen Gatt Baldacchino (Chairperson)

Simon Gatt Baldacchino

James Bonello

Joseph F.X. Zahra

Corporate Governance – Statement of Compliance - continued

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

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

Internal Control

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

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

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

Directors' Attendance at Board Meetings

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

The Board met formally two times during the year under review. The number of board meetings attended by directors for the year ended 31 December 2019 is as follows:

Members	Attended
Carmen Gatt Baldacchino	2
Edmund Gatt Baldacchino	2
Simon Gatt Baldacchino	2
James Bonello	2
Joseph F.X. Zahra	2

Corporate Governance – Statement of Compliance - continued

Committees

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

Audit Committee

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

The Members of the Audit Committee are:

James Bonello (Chairman of the Audit Committee)
Helga Ellul
Joseph F.X. Zahra

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

Helga Ellul was Managing Director of Playmobil Limited from 1974 to September 2012. Thereafter, she set up her own consultancy company and is board member and chairman of various Maltese businesses. Over the years she has held various posts on boards of constituted bodies and government organisations. Until March 2011 she occupied the role of President of the Malta Chamber of Commerce, Enterprise and Industry.

Joseph F.X. Zahra was Chairman of Bank of Valletta between 1998 and 2004, and Mafre Middlesea p.l.c (previously Middlesea Insurance p.l.c) between 2010 and 2014. Mr. J. F.X. Zahra is also a member and chairman of the Corinthia Palace Hotel Limited and Medserv p.l.c audit committees.

The Committee met five times during the year to 31 December 2019.

Corporate Governance – Statement of Compliance - continued

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the last Annual General Meeting was €40,000.

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

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

The directors received €39,134 in aggregate for services rendered during 2019 (2018: €38,696).

Relations with bondholders and the market

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

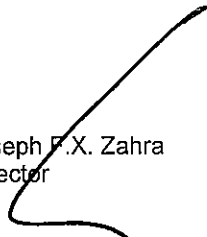
Conflicts of Interest

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

Signed on behalf of the Board of Directors on 29 May 2020 by:



James Bonello
Director and Chairman of the Audit Committee



Joseph F.X. Zahra
Director



Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- United Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

United Finance p.l.c.'s financial statements, set out on pages 17 to 48, comprise:

- the statement of financial position as at 31 December 2019;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

Independent auditor's report - continued

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

The non-audit services that we have provided to the company, in the period from 1 January 2019 to 31 December 2019, are disclosed in note 16 to the financial statements.

Emphasis of matter

We draw attention to Note 1.1 in relation to the basis of preparation of these financial statements, which addresses developments in connection with COVID-19, and the potential impact on financial and operational performance. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potentially unfavourable nature of these developments. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall materiality: €148,000, which represents 1% of total assets.

*Valuation of investment properties
Recoverability of group balances*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.



Independent auditor's report - continued

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	€148,000
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is an appropriate measure for this type of entity. We chose 1% which is within the range of materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €7,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report - continued

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

Key audit matter

How our audit addressed the Key audit matter

Valuation of investment properties

The company's investment property comprises a commercial block in Ta' Xbiex held for rent and was valued at the year-end at €5.8m.

Valuations are performed annually using projected rental streams, residual value of the building following lapse of the rental period, and an estimated sales approach for the value of the land. As explained in Note 4 to the financial statements, the most significant judgements and estimates affecting the valuations include projected rental streams, the development cost per square metre, and the sales price per square metre.

The existence of significant estimates referred to previously could result in material misstatement, which is why we have given specific focus and attention to this area.

We agreed the property information in the valuation to the underlying property records held by the company.

We understood the methodology, tested the accuracy of the workings within the valuation model, and challenged the assumptions to ensure that they apply for the year under review.

We agreed the projected rental income to supporting rental agreements and documentation. We found that capitalisation rates were predominately consistent with comparable information for similar commercial property. We also considered whether the other assumptions applied, such as the estimated development costs and sales price per square metre were appropriately supported by management.

We held meetings with the directors and the audit committee on the year-end valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

In addition, we evaluated the adequacy of the disclosures made in Note 4 of the financial statements, including those regarding the key assumptions.

The emergence and spread of COVID-19 is considered to be a non-adjusting post balance sheet event and as disclosed in Note 1 to the financial statements, the fair valuation assessment as at 31 December 2019 did not contemplate the impact of COVID-19.

We reviewed the disclosures relating to non-adjusting events occurring after the reporting date indicating the potential impact of COVID-19 on the carrying amount of the investment property and agree with such disclosures.



Independent auditor's report - continued

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

Key audit matter

How our audit addressed the Key audit matter

Recoverability of group balances

Financial assets held at amortised cost include loans advanced to group companies at agreed rates of interest ranging from 2% to 6.25%.

Loan balances due to the company as at 31 December 2019 amounted to €7.51m (Note 6). The recoverability of the group balances is assessed each year in order to ensure that the amounts are recoverable.

The balances are considered material, which is why we have given additional attention to this area.

We have agreed the terms surrounding the loans to supporting loan agreements.

We have assessed the financial strength of the group with reference to management accounts for the current year and prospective information. On the basis of projections and related assumptions made available and also factoring explanations obtained, we concur with management's view with respect to the expected recoverability of these loans.

In addition, we understood and evaluated the workings and assumptions underlying the assessment for the loss allowances under IFRS 9.

Management's loss allowance on loans and trade receivables was determined as at 31 December 2019, based on experience developed as at that point, without considering the impact that COVID-19 could have on credit risk given that COVID-19 is considered to be a non-adjusting post balance sheet event.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).



Independent auditor's report - continued

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent auditor's report - continued

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

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

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



Independent auditor's report - continued

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

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

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

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

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
 - We have not received all the information and explanations we require for our audit.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Company on 21 December 2011. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 9 years.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta



Stephen Mamo
Partner

29 May 2020

Statement of financial position

		Year ended 31 December	
		2019	2018
		€	€
ASSETS	Notes		
Non-current assets			
Investment property	4	5,822,848	5,800,000
Equity investments at fair value through other comprehensive income	5	304,871	378,550
Financial assets at amortised cost	6	7,427,909	5,564,310
Total non-current assets		13,555,628	11,742,860
Current assets			
Financial assets at amortised cost	6	87,000	684,352
Trade and other receivables	7	75,934	1,358,245
Current tax asset		11,117	-
Cash and cash equivalents	8	1,069,091	987,988
Total current assets		1,243,142	3,030,585
Total assets		14,798,770	14,773,445

Statement of financial position - continued

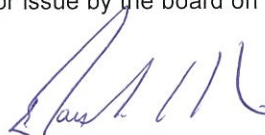
		Year ended 31 December	
		2019	2018
		€	€
	Notes		
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	2,329,373	2,329,373
Other reserves	10	2,539,547	2,613,226
Retained earnings		545,091	498,617
Total equity		5,414,011	5,441,216
Non-current liabilities			
Deferred tax liabilities	12	580,794	580,794
Borrowings	11	8,408,369	8,387,534
Total non-current liabilities		8,989,163	8,968,328
Current liabilities			
Trade and other payables	13	395,596	363,854
Current tax liabilities		-	47
Total current liabilities		395,596	363,901
Total liabilities		9,384,759	9,332,229
Total equity and liabilities		14,798,770	14,773,445

The notes on pages 23 to 48 are an integral part of these financial statements.

The financial statements on pages 17 to 48 were authorised for issue by the board on 29 May 2020 and were signed on its behalf by:



Carmen Gatt Baldacchino
Director



Edmund Gatt Baldacchino
Director

Income statement

		Year ended 31 December	
		2019	2018
		€	€
	Notes		
Revenue – investment and other related income	14	799,739	832,413
Interest payable and similar charges	15	(471,335)	(470,226)
		328,404	362,187
Gross profit			
Administrative expenses	16	(170,867)	(145,187)
Fair value gains on investment property	10	-	1,114,565
		157,537	1,331,565
Profit before tax			
Tax credit/(expense)	18	18,937	(111,456)
		176,474	1,220,109
Profit for the year			
		0.07	0.52
Earnings per share	19		

The notes on pages 23 to 48 are an integral part of these financial statements.

Statement of comprehensive income

		Year ended 31 December	
	Note	2019 €	2018 €
Profit for the year		176,474	1,220,109
Other comprehensive income			
Equity investments:			
- Net fair value losses	5	(73,679)	(68,698)
Other comprehensive for the year		(73,679)	(68,698)
Total comprehensive income for the year		102,795	1,151,411

The notes on pages 23 to 48 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2018		2,329,373	1,678,815	411,617	4,419,805
Comprehensive income					
Profit for the year		-	-	1,220,109	1,220,109
Other comprehensive income:					
Transfer of gains on revaluation of investment property – net of deferred tax		-	1,003,109	(1,003,109)	-
Losses from changes in fair value of equity investments	10	-	(68,698)	-	(68,698)
Total comprehensive income		-	934,411	217,000	1,151,411
Transactions with owners					
Dividends paid during the year	23	-	-	(130,000)	(130,000)
Total transactions with owners		-	-	(130,000)	(130,000)
Balance at 31 December 2018		2,329,373	2,613,226	498,617	5,441,216
Balance at 1 January 2019		2,329,373	2,613,226	498,617	5,441,216
Comprehensive income					
Profit for the year		-	-	176,474	176,474
Other comprehensive income:					
Losses from changes in fair value of equity investments	10	-	(73,679)	-	(73,679)
Total comprehensive income		-	(73,679)	176,474	102,795
Transactions with owners					
Dividends paid during the year	23	-	-	(130,000)	(130,000)
Total transactions with owners		-	-	(130,000)	(130,000)
Balance at 31 December 2019		2,329,373	2,539,547	545,091	5,414,011

The notes on pages 23 to 48 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2019 €	2018 €
Cash flows from operating activities			
Cash generated from operations	20	1,488,912	562,058
Income tax paid		(1,210)	(9,907)
Income tax refunded		8,983	7,780
Net cash generated from operating activities		1,496,685	559,931
Cash flows from investing activities			
Income on equity investments	14	3,457	28,306
Improvements to investment property		(22,848)	-
Net cash generated (used in)/from investing activities		(19,391)	28,306
Cash flows (used in) financing activities			
Loans and advances to group companies	6	(2,024,524)	(1,300,000)
Repayment of loans and advances from group companies	6	751,977	985,884
Receipts from debtors in settlement of bills of exchange		6,356	12,548
Dividend paid	24	(130,000)	(130,000)
Net cash (used in) financing activities		(1,396,191)	(431,568)
Net movement in cash and cash equivalents		81,103	156,669
Cash and cash equivalents at beginning of year		987,988	831,319
Cash and cash equivalents at end of year	8	1,069,091	987,988

The notes on pages 23 to 48 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, except as modified by the fair valuation of investment property and equity investments at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

Covid-19 and potential impact on financial and operational performance

The majority of United Group's operations have been affected by the COVID-19 pandemic which affected the general economic and consumer trends worldwide. The outbreak of the pandemic in early 2020 has caused disruption to businesses and economic activity, which has also been reflected in recent fluctuations in global stock markets.

United Finance p.l.c. is not directly dependent on industries that have been directly impacted by COVID-19 and it continues to register profitability and positive cashflows from the raising of interest and rental income. However, recoverability of amounts loaned to the parent and subsidiaries of the Group is dependent on the performance of the respective Group entities some of which are involved in industries that have been impacted by the pandemic.

The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is difficult to ascertain the impact of COVID-19 on the Group, or to provide a quantitative estimate of this impact.

Impact on performance of operations of the United Group

The Group derives its revenues from the fashion retail industry, motor vehicles rental and leasing activities and from property rentals, catering operations and other income.

From early March, the Group has shutdown all of its retail and catering outlets in line with directives issued by the health authorities. The Group has taken action to control costs and credit terms in relation to payroll, rents and inventory purchases. Furthermore, the Group invested in an online portal catering for online sales to create a channel which would enable the Group to service customers during the pandemic whilst also paving increased opportunities in these segments going forward. As from mid-May 2020, retail and catering outlets have resumed operations and the Group started registering sales levels which are expected to grow as consumers resume normal circulation routines.

Whilst motor vehicle leasing activities have been relatively unscathed due to the long term nature of such agreements, the Group experienced significant cancellations on its vehicle rental division following closure of the airports which had a direct impact on the tourism industry. With immediate effect the Group has taken measures to contain costs and cash outflows through negotiations with suppliers for replacement and additions of vehicles to the fleet. Other costs such as insurances, licences and payroll were also addressed and right sized.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Property rentals remain consistent due to the long-term nature of such agreements and also due to the fact that space made available to tenants is mainly in the form of office units which were impacted in relatively milder manners compared to units occupied by businesses operating in the retail and tourism industries. Other income comprises management charges from associated entities which got revised following the outbreak of COVID-19.

Outlook for the Group

As mentioned further above, from mid-May 2020 retail and catering operations have resumed. The directors acknowledge that the levels of operations are not at the volumes experienced before the COVID-19 outbreak, mainly due to restrictions imposed by the health authorities, decreases in consumer confidence and disposable income which have a direct impact on levels of demand. Accordingly, negative developments in the local and global economy, including relationships with principals of the Group, that adversely affect the demand for the Group's products and services could have a negative impact on the Group's operations, earnings and financial position.

Although the directors expect that operations will gradually return to normal levels over the coming months in line with further easing of restrictions, increase in consumer confidence and disposable income, the directors acknowledge that, based on the information available at the time of reporting, the situation is still very uncertain and, the board of directors has therefore embarked on a review of its business model, monitoring developments of its principals, to ensure that post the COVID-19 pandemic, the Group will be well positioned to ensure that it will continue in operation and to avoid as much as possible the negative long-term effects that the current environment may drive.

Management and the board of directors have prepared detailed projections for profitability and cashflows covering 12 months from the date of reporting of these financial statements for the United Group and the company. The projections cover base case scenario factoring prudent assumptions and also a stress case scenario which considers business picking up at a later date compared to the base case. The Company's profitability and cashflows projections indicate that enough resources are available for the entity to cover its commitments, including the bond coupon for the next 12 months even after considering moratoria of principal payments on loans receivable from all group companies.

On a Group level, the board takes cognisance of cashflow requirements by certain group entities and has assessed options for making available liquidity during such periods through the extension of credit terms with suppliers, application for the Malta Development Bank 'COVID-19 Guarantee Scheme, credit from financial institutions and, as a last resort, disposal of assets or investments.

On the basis of cash flow and profitability projections and the remedial actions described above, management and the board of directors remain confident that the Group and the respective subsidiaries will remain operating as a going concern and will continue to honour liabilities as and when they fall due. Should the market not recover as anticipated by management and by the board of directors, and therefore should profitability and cashflow projections not materialise as planned, the board remains committed to explore mechanisms of financing for the business to honour its commitments.

Potential impact on the value of the Group and company's Assets

Management's assessment of the valuation of investment property was based on economic conditions, rental rates and occupancy that existed at 31 December 2019. Such assessment did not therefore contemplate the impact of COVID-19, which only emerged in 2020. The factors described above therefore impact future fair value movements on the Company's investment property. The assessment of impairment of the Company's investment property is designated as a critical accounting estimate (Note 3).

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

As mentioned above, the Group's Board of Directors is conducting a business review for the Group with the intention of ensuring that the value of property plant and equipment and inventory is protected and maintained post the COVID-19 pandemic.

Similarly, management's loss allowance on loans and trade receivables was determined as at 31 December 2019, based on experience developed as at that point, without considering the impact that COVID-19 could have on credit risk.

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2019. There was no impact on adoption of this standard by the Company. The other amendments did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2019. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors that makes strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the operations and capital projects of the Company and the United Group. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from other companies forming part of the United Group.

1.3 Foreign currency translation

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

1. Summary of significant accounting policies - continued

1.4 Investment property

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Changes in fair values are recorded in the profit or loss for the year and then transferred to "fair value gains reserve" through the statement of changes in equity.

1.5 Financial assets

1.5.1 Classification

The Company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.5.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.4 Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1.6 Trade and other receivables

Trade receivables comprise amounts due from customers and Group companies. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.5). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss. Impairment of financial assets is described in Note 1.5.4 above.

1.7 Bills of exchange

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

1.8 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.10 Share capital

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

1.11 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. which are not at fair value through profit or loss. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These financial liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.13 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. Summary of significant accounting policies - continued

1.15 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Interest income

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

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Rental income from investment property

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

1.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.18 Leases

The Company is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with Note 1.4. Rental income from operating leases recognised in profit or loss on a straight-line basis over the lease term. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of the new leasing standard.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

(ii) Cash flow and fair value interest rate risk

As at the reporting date, the Company has fixed rate interest-bearing assets comprising bills of exchange and amounts owed by group companies. Accordingly, its revenue and operating cash flows are substantially independent of changes in market interest rates. In this respect, the Group and Company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

As at the statement of financial position date, the Company's exposure to changes in interest rates on bank accounts held with financial institutions and on interest bearing liabilities was limited as the Company is predominantly subject to fixed interest rates.

Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

(b) Credit risk

Credit risk arises from credit exposures to customers and amounts receivable from group companies (Notes 6 and 7).

The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	Notes	2019 €	2018 €
Financial assets held at amortised cost	6	7,514,909	6,248,662
Other receivables:			
Bills of exchange	7	19,122	25,478
Amount due by group companies	7	5,614	1,221,540
Other debtors	7	46,823	104,636
Cash at bank	8	1,069,091	987,988
		8,655,559	8,588,304

2. Financial risk management

2.1 Financial risk factors

(b) Credit risk - continued

The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and deferred expenditure.

Loans receivable

The Company's other financial assets at amortised cost include loans due from subsidiary undertakings. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

As at year-end, based on the directors' assessments of these factors and the equity position of the respective counterparty, the resulting impairment charge required was €86,300 (2018: €80,000).

The closing loss allowances for other financial assets at amortised cost as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019 €	2018 €
<i>Trade receivables</i>		
Balance at 1 January	80,000	-
Amounts restated through retained earnings	-	80,000
	<hr/>	<hr/>
Balance at 1 January – as restated	80,000	80,000
Increase in loss allowance recognised in profit or loss during the year (Note 6)	6,300	-
	<hr/>	<hr/>
Balance at 31 December	86,300	80,000

Amounts due by Group companies

Amounts due by Group companies are repayable on demand and considered to have low credit risk. The loss allowance recognised during the period was therefore limited to 12 months expected losses. Management determined that no impairment is required in view that the issuers have a strong capacity to meet their contractual cash flow obligations in the near term.

Cash at bank

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 11 and 13). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

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

	Carrying amount €	Contractual cash flows €	On demand €	Due within one year €	Between 1 and 2 Years €	Between 2 and 7 years €
31 December 2019						
Bond	8,408,369	10,302,000	-	450,500	450,500	9,401,000
Trade and other payables	395,596	395,596	395,596	-	-	-
Total	8,803,965	10,697,596	395,596	450,500	450,500	9,401,000
31 December 2018						
Bond	8,387,534	10,752,500	-	450,500	450,500	9,851,500
Trade and other payables	363,854	363,854	363,854	-	-	-
Total	8,751,388	11,116,354	363,854	450,500	450,500	9,851,500

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

2.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

2. Financial risk management - continued

2.2 Fair value estimation - continued

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

	Level 1	
	2019	2018
	€	€
Assets		
Equity investments at fair value through other comprehensive income		
- Equity securities (Note 5)	304,871	378,550

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

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

At 31 December 2019 and 2018 the carrying amounts of other financial instruments, comprising cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

2.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the 5.3% bonds.

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

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, aside from valuation of investment property, as disclosed in note 4, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Investment property

	Land and buildings	
	2019	2018
	€	€
Year ended 31 December		
As at 1 January	5,800,000	4,685,435
Increase in fair value	-	1,114,565
Additions	22,848	-
As at 31 December	5,822,848	5,800,000
At 31 December		
Cost	2,560,708	2,537,860
Accumulated fair value gains	3,262,140	3,262,140
Net book amount	5,822,848	5,800,000

Fair valuation of investment property

During the financial year ended 31 December 2018, the directors commissioned an independent firm of architects to carry out a market valuation of the Company's investment property as at that date, by considering the aggregate of the estimated cash flows expected to be received from renting out the property over a defined period, the residual value of the building following lapse of the rental period and value of the land. The directors have approved the valuation and used it as a basis in determining the fair value of the Company's immovable property at 31 December 2019.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Company's investment property comprises an office block and retail space leased out to third parties and also includes the Company's head office. All the recurring property fair value measurements at 31 December 2019 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

4. Investment property - continued

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2019 and 2018.

A reconciliation from the opening balance to the closing balance of investment property for recurring fair value measurements categorised within Level 3 of the value hierarchy is presented in the table above. Gains from changes in fair value have been recognised in the income statement.

Valuation processes

Valuation of the property is assessed regularly by management and at least every five years a valuation report is prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Company which is derived from the Company's financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Executive Officer (CEO). This includes a review of fair value movements over the period. When the CEO considers that the valuation report is appropriate, the valuation report is recommended to the Audit Committee. The Audit Committee considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the CEO assesses whether any significant changes or developments have been experienced since the last external valuation and reports to the Audit Committee on the outcome of this assessment.

Valuation techniques

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

4. Investment property - continued

Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	Fair value at 31 December 2019 €	Valuation technique	Significant unobservable input	Range of Unobservable inputs €
Current use as office premises	3,400,000	Capitalised rentals approach	Rental streams	Rental value p.a. of €400K and applying discount rates of 7%
	900,000	Replacement cost approach	Development cost per square metre	€350
	1,500,000	Sales comparison approach	Sales price per sq. mtr	€3,000

Subsequent to the market valuation obtained in 2018, there were €22,848 further additions in 2019 enhancing the value of the investment property. The current use of the investment property of the Company is deemed to constitute the highest and best use taking cognisance of the size and location of such property.

Rental agreements

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

	2019 €	2018 €
Less than one year	382,280	405,690
Between one and five years	308,973	111,899
	691,253	517,589

During the year ended 31 December 2019, €402,615 (2018: €403,593) was recognised as rent receivable in profit or loss in respect of operating leases.

At 31 December 2019 and 31 December 2018, investment property was secured in favour of a first special hypothec guarantee of €1,850,000 for banking facilities availed of by the Company's parent, United Group Limited, and a further first special hypothec guarantee of €950,000 for banking facilities availed of by a fellow subsidiary of the Company, United Department Stores Limited.

5. Equity investments at fair value through other comprehensive income

	Equity Securities €
At 1 January 2018	447,248
Losses from changes in fair value (Note 10)	(68,698)
	378,550
At 1 January 2019	378,550
Losses from changes in fair value (Note 10)	(73,679)
	304,871

The Company holds investments in local listed equities. During the year ended 31 December 2019, the investments in equities registered a decrease (2018: a decrease) in fair value which was recognised in other comprehensive income.

Equity investments at FVOCI comprise the following individual investments:

	2019 €	2018 €
Bank of Valletta Plc Ordinary Shares	176,475	199,783
HSBC Bank Malta Ordinary Shares	128,396	178,767
	304,871	378,550

In 2018, equity investments amounting to €316,071 (2019: €Nil) were secured in favour of bank financing availed of by the Company's parent, United Group Limited.

6. Financial assets at amortised cost

	2019 €	2018 €
Loans receivable from parent – net of provisions	4,294,170	3,893,079
Loans receivable from fellow subsidiaries – net of provisions	3,220,739	2,355,583
At end of year	7,514,909	6,248,662
Non-current	7,427,909	5,564,310
Current	87,000	684,352
Total	7,514,909	6,248,662

Amounts owed by parent and fellow subsidiaries are stated at net of provision as per table below:

	2019 €	2018 €
Provision on amounts owed by parent	50,700	53,200
Provision on amounts owed by subsidiaries	35,600	26,800
	86,300	80,000

Loans and receivables relate to balances due by parent and fellow subsidiaries, earn interest between 2% and 6.25% and are secured by the assets held by the borrowers.

7. Trade and other receivables

	2019 €	2018 €
Current		
Bills of exchange receivable	19,122	25,478
Amounts due by group companies	5,614	1,221,540
Other debtors	46,823	104,636
Prepayments and accrued income	4,375	6,591
	75,934	1,358,245

All amounts due by Group Companies are interest-free and repayable on demand. In 2018, €1,093,164 due by group companies bore interest at 1.5% per annum and were repayable on demand.

8. Cash and cash equivalents

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

	2019 €	2018 €
Cash at bank and in hand	1,069,091	987,988

9. Share capital

	2019 €	2018 €
Authorised 2,500,000 ordinary shares of €1 each	2,500,000	2,500,000
Issued and fully paid 2,329,373 ordinary shares of €1 each	2,329,373	2,329,373

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

10. Other reserves

	2019 €	2018 €
Fair value gains reserve in respect of investment property		
At beginning of year	2,577,987	1,574,878
Increase in fair value on revaluation	-	1,003,109
At 31 December	2,577,987	2,577,987
Fair value gains reserve in respect of equity investments		
At beginning of year	35,239	103,937
Losses from changes in fair value (Note 5)	(73,679)	(68,698)
At 31 December	(38,440)	35,239
Total fair value gains reserve	2,539,547	2,613,226

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

11. Borrowings

	2019 €	2018 €
Non-current Bonds	8,500,000	8,500,000
	2019 €	2018 €
Bonds outstanding	8,500,000	8,500,000
Gross amount of bond issue costs	(187,798)	(187,798)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	75,332	55,606
Amortisation charge for the year (Note 15)	20,835	19,726
Accumulated amortisation at end of year	96,167	75,332
Unamortised bond issue costs	(91,631)	(112,466)
Amortised cost and closing carrying amount	8,408,369	8,387,534

Interest on the 5.3% 2023 Bonds is payable annually in arrears, on 6 November of each year.

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

12. Deferred tax

	2019 €	2018 €
Year ended 31 December		
At beginning of year	580,794	469,338
Increase during the year	-	111,456
At 31 December	580,794	580,794

Deferred taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2018: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% of the carrying amounts. The deferred tax liabilities are mainly considered to be of a non-current nature.

12. Deferred tax - continued

The balance at 31 December represents:

	2019	2018
	€	€
Temporary differences on investment property	580,794	580,794

13 Trade and other payables

	2019	2018
	€	€
Current		
Other payables and indirect taxation	236,621	187,616
Accruals and deferred income	158,975	176,238
	395,596	363,854

Other payables are unsecured, interest free and repayable on demand.

14. Revenue

	2019	2018
	€	€
Rental and other income from investment property	402,615	403,593
Bills interest receivable	330	649
Dividends and interest receivable on equity investments	3,457	28,306
Interest on loans and receivables due from group companies	393,337	399,865
	799,739	832,413

During the year, 47% (2018: 48%) of total revenue was derived from third parties.

15. Interest payable and similar charges

	2019	2018
	€	€
Interest payable on bonds	450,500	450,500
Amortisation of bond issue costs (Note 11)	20,835	19,726
	471,335	470,226

16. Expenses by nature

	2019 €	2018 €
Directors' emoluments (Note 17)	39,134	38,696
Management fees	70,000	70,000
Professional fees	14,779	15,459
Other expenses	46,954	21,032
	170,867	145,187

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	2019 €	2018 €
Annual statutory audit	8,350	8,350
Tax and related services	845	845
Other assurance services	3,875	3,875
	13,070	13,070

17. Directors' emoluments

	2019 €	2018 €
Fees	39,134	38,696
	39,134	38,696

18. Tax (credit)/expense

	2019 €	2018 €
Deferred tax expense	-	111,456
Current tax (credit)/expense	(18,937)	-
	(18,937)	111,456
Tax (credit)/expense for the year	(18,937)	111,456

18. Tax (credit)/expense - continued

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

	2019 €	2018 €
Profit before tax	157,537	1,331,565
Tax at 35%	55,138	466,048
Tax effect of:		
Expenses not deductible for tax purposes	2,206	14
Maintenance allowance claimed on immovable property	(27,306)	(28,252)
Over provision of current tax in prior year	-	(5,631)
Difference attributable to tax rules applicable to immovable property	-	(278,641)
Prior year tax adjustment	(18,937)	-
Group loss relief	(30,038)	(42,081)
	(18,937)	111,456

19. Earnings per share

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

	2019	2018
Profit for the year	157,537	1,220,109
Weighted average number of ordinary shares in issue	2,329,373	2,329,373
Earnings per share	€0.07	€0.52

20. Cash used in operations

	2019 €	2018 €
Profit before income tax	157,537	1,220,109
Adjustments for:		
Amortisation of bond issue costs	20,835	19,726
Income on equity investments	(3,457)	(28,306)
Fair value gain on investment property	-	(1,003,109)
Movement in provision for bad debts	6,300	-
Changes in working capital:		
Trade and other receivables	1,275,955	352,656
Trade and other payables	31,742	982
Cash used in operations	1,488,912	562,058

21. Contingencies

A guarantee for a maximum amount of €2,800,000 (2018: €2,800,000) was used by the company, in favour of its bankers for facilities provided to the Group (Note 4).

22. Events after the reporting period

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. The consequence of the emergence and spread of COVID-19 in 2020 is considered to be a non-adjusting post balance sheet event. Further information on Covid-19 and the potential impact on financial and operational performance is included in the basis of preparation in Note 1.1.

23. Related parties

The companies forming part of the United Group are considered by the directors to be related parties as these companies are ultimately owned by the Gatt Baldacchino Family.

The Company is a subsidiary of United Group Limited who is the ultimate parent company. The registered office of both companies is situated at GB Buildings, Water Street, Ta' Xbiex, Malta.

United Group Limited prepares the consolidated financial statements of the Group, of which United Finance p.l.c. forms part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

23. Related parties - continued

The following transactions were carried out with related parties:

	Ultimate parent Company			Other related Parties		Total		
	Loan account €	Bills of Exchange Factored €	Current account €	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current account €
2019								
At beginning of the year	3,894,813	25,478	1,115,979	2,433,849	4,561	6,328,662	25,478	1,120,540
Amounts advanced	450,000	-	-	1,574,524	1,053	2,024,524	-	1,053
Interest receivable	241,973	330	-	151,338	-	393,311	330	-
Rent receivable	-	-	33,600	-	-	-	-	33,600
Management fees	-	-	(70,000)	-	-	-	-	(70,000)
Receipts from debtors in settlement of bills of exchange	-	(6,686)	-	-	-	-	(6,686)	-
Repayments	(241,973)	-	(1,079,579)	(903,315)	-	(1,145,288)	-	(1,079,579)
At end of year	4,344,813	19,122	-	3,256,396	5,614	7,601,209	19,122	5,614

23. Related parties - continued

	Ultimate parent company		Other related parties		Total		
	Loan account €	Bills of exchange factored €	Loan account €	Current account €	Loan account €	Bills of exchange factored €	Current account €
2018							
At beginning of the year	4,148,648	38,026	1,865,898	15,560	6,014,546	38,026	1,622,891
Amounts advanced	-	-	1,300,000	-	1,300,000	-	80,000
Interest receivable	236,165	649	148,712	-	384,877	649	15,157
Rent receivable	-	-	-	-	-	-	33,600
Management fees	-	-	-	-	-	-	(70,000)
Receipts from debtors in settlement of bills of exchange	-	(13,197)	-	-	-	(13,197)	-
Repayments	(490,000)	-	(880,761)	(10,999)	(1,370,761)	-	(561,108)
At end of year	3,894,813	25,478	2,433,849	4,561	6,328,662	25,478	1,120,540

Year-end balances owed by and to related parties are disclosed in Notes 6, 7 and 13 to these financial statements.

Key management personnel compensation consisting of directors' emoluments have been disclosed in Note 17.

24. Dividends

In December 2019, the directors declared a net dividend of €130,000 (2018: €130,000).

25. Statutory information

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