Financial Analysis Summary
5 December 2022

ISSUER

Gap Group p.l.c. (C 75875)

MZ INVESTMENT SERVICES

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The Directors
Gap Group p.l.c.
Gap Group Head Office
Ċensu Scerri Street
Sliema, SLM 3060, Malta

5 December 2022

Dear Sirs

Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the "**Issuer**" or "**Gap Group"**); Gap Zonqor Limited being the guarantor in relation to the issue of 4.75% secured bonds 2025 – 2027 (ISIN: MT0001231241) (the "**2022 Bond Guarantor"**); Gap QM Limited and Gap Qawra Limited being the guarantors in relation to the issue of 3.90% secured bonds 2024 – 2026 (ISIN: MT0001231233) (the "**2021 Bond Guarantors**"); and Gap QM Limited being the guarantor in relation to the issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225) (the "**2020 Bond Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the years ended 31 December 2019 to 31 December 2021 has been extracted from the audited consolidated financial statements of Gap Group p.l.c.

(b) Historical financial data has been extracted from the audited financial statements of Gap QM Limited for the period 23 September 2020 to 31 December 2021.

(c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2022 and 31 December 2023 has been provided by management.

(d) Our commentary on the results of Gap Group and on its financial position is based on the explanations provided by management.

(e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

(f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

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

TABLE OF CONTENTS

DEFINITIONS

2016 Bond(s)	the €40,000,000 4.25% secured bonds 2023 issued by the Issuer pursuant to a prospectus dated 16 September 2016 and carrying ISIN MT0001231209. The outstanding nominal value of the said bonds as at the date of this report amounts to €8,367,900;
2020 Bond(s)	the €21,000,000 3.70% secured bonds 2023 - 2025 (ISIN: MT0001231225) issued by the Issuer pursuant to a prospectus dated 20 November 2020. The outstanding nominal value of the said bonds as at the date of this report amounts to €21,000,000;
2021 Bond(s)	the €21,000,000 3.90% secured bonds 2024 - 2026 (ISIN: MT0001231233) issued by the Issuer pursuant to a prospectus dated 6 December 2021. The outstanding nominal value of the said bonds as at the date of this report amounts to €21,000,000;
2022 Bond(s)	the €23,000,000 4.75% secured bonds 2025 - 2027 (ISIN: MT0001231241) to be issued by the Issuer pursuant to a prospectus dated 5 December 2022;
2020 Bond Guarantor	GQM, being the guarantor in relation to the issue of the 2020 Bonds;
2021 Bond Guarantors	each of GQM and GQL, being the guarantors in relation to the issue of the 2021 Bonds;
2022 Bond Guarantor	GZL, being the guarantor in relation to the issue of the 2022 Bonds;
Birkirkara Development	the construction, development and finishing of a total of 14 residential units and 11 lock up garages, over a site in Birkirkara measuring 450m^2;
Gap Group or **Group**	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, GQL, GQM, GZL, MHL and GLL;
GDL	Geom Developments Limited (C 50805);
GHL	Geom Holdings Limited (C 64409);
GGCL	Gap Group Contracting Limited (C 75879);
GGF	Gap Group Finance Limited (C 54352);
GGL	Gap Għargħur Limited (C 72015);
Għargħur Development	the 34 luxury apartments (6 of which are at penthouse level) and 41 garages/car spaces, spread over 4 blocks with a variety of one, two and three bedroomed units, all in a completely finished state, forming part of the development on the site in Triq Caravaggio, Għargħur, Malta measuring approximately 2,585m^2;
GLL	Gap Luqa Limited (formerly Qawra Investments Limited) (C 32225);
GML	Gap Mellieħa (I) Limited (C 72013);
GPL	Gap Properties Limited (C 47928);
GQL	Gap Qawra Limited (C 100153);
GQM	Gap QM Limited (C 96686);
GZL	Gap Zonqor Limited (C 103533);
Hypothecated Property	the immovable property described hereunder, namely:
	(i) A cash balance amounting to the outstanding balance of 2016 Bonds is held by the security trustee for the benefit of the holders of the 2016 Bonds; (ii) The Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2020 Bonds; (iii) The Qawra Site III, Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra III Development, Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2021 Bonds; (iv) The Żonqor Site and all constructions to be developed thereon (namely, the Żonqor Development) are secured in favour of the security trustee for the benefit of the holders of the 2022 Bonds;

Issuer	Gap Group p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and having its registered office at Gap Group Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
Luqa Development	the construction, development and finishing of a total of 268 apartments and 301 garages spread over 5 zones with a mix of one, two and three bedroomed units over the site having a developable area of approximately 8,500m^2 known as Ta' Blejkiet in Luqa;
Marsascala Development	the construction, development and finishing of a total of 63 residential units and 92 lock up garages, over a site in Marsascala measuring 2,402m^2;
Mellieħa Development	the 159 residential units and 169 lock-up garages, spread over 10 blocks with a variety of one, two and three bedroomed residential units, all in a completely finished state, over the site known as Ta' Masrija in Mellieħa measuring approximately 5,100m^2;
Mosta Development	the construction, development and finishing of a total of 114 residential units and 150 car spaces, spread over 11 blocks with a variety of two and three bedroomed residential units over the Mosta Site;
Mosta Site	the site having a façade directly on Triq id-Difiża Ċivili and on Triq tal-Qares, in Mosta, measuring approximately 5,895m^2, including its subterrain;
MHL	Manikata Holdings Limited (C 53818);
Qawra I Development	the 151 residential units and 181 garages/car spaces, spread over 7 blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroomed units, all in a completely finished state, forming part of the development of the site in Triq il-Porzjunkola, Qawra, Malta measuring approximately 3,508m^2;
Qawra II Development	the construction, development and finishing of a total of 93 residential units, comprising a mix of one and two bedroomed units, and 151 garages spread over 2 blocks, over the Qawra Site II;
Qawra III Development	the construction, development and finishing of a total of 46 residential units, comprising a mix of two and three bedroomed units, and 58 lock-up garages spread over the Qawra Site III. Subject to the approval of PC0017/21 and PA03106/22, the development is expected to increase to 116 residential units and 173 lock-up garages;
Qawra Site II	the site located in Triq in-Nakkri, Qawra, measuring approximately 1,924m^2;
Qawra Site III	the site located in Triq it-Tamar, Qawra, measuring approximately 2,375m^2 and divided into Portion A and Portion B;
San Pawl Tat-Tarġa Development	the construction, development and finishing of a total of 9 residential units and 7 lock up garages, over a site in San Pawl Tat-Tarġa measuring 330m^2; and
Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).
Żonqor Development	the 118 residential units spread over 10 blocks with a variety of one, two and three bedroomed residential units, 182 lock-up garages and two Class 4B shops, all in a completely finished state, over the Żonqor Site;
Żonqor Site	the site having a façade directly on Triq l-Għawwiema, Triq l-Għaguża and Triq il-Bajja in Żonqor, Marsascala, Malta, measuring approximately 3,817m^2.

PART 1 – INFORMATION ABOUT GAP GROUP

1. KEY ACTIVITIES

1.1 INTRODUCTION

The Issuer was incorporated in June 2016 as a public limited liability company under the Companies Act (Chapter 386 of the laws of Malta) with an authorised and issued share capital of €2.5 million, fully paid up.

The Issuer's principal object is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.

As at the date of this report, the following projects have been completed: (i) the Mellieħa Development; (ii) the Luqa Development; (iii) the Birkirkara Development; (iv) the Marsascala Development; and (v) the San Pawl tat-Tarġa Development. As such, the Group is currently focused on developing: (i) the Qawra II Development; (ii) the Mosta Development; and (iii) the Qawra III Development.

Through GZL, the Group is in the process of acquiring the Żonqor Site and subsequently developing the Żonqor Development.

Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors, which has common members with the directors of the Issuer. Furthermore, the Issuer engages the services of its Subsidiary, GGCL, as the contractor responsible for the development of the immovable properties. Other than the foregoing, the Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

Several projects undertaken by the subsidiaries of the Issuer were fully and, or partly funded (as applicable) by virtue of the issue of secured bonds on the Official List of the Malta Stock Exchange. The outstanding debt securities listed on the Official List are included below:

(i) The 2016 Bonds were issued in September 2016 to principally finance the Mellieħa Development, the Għargħur Development and the Qawra I Development.
(ii) The 2020 Bonds were issued in November 2020 to principally finance the Qawra II Development and the Mosta Development.
(iii) The 2021 Bonds were issued in December 2021 to fund primarily the continuation of the Qawra II Development and the Mosta Development, and to acquire the Qawra Site III and partly fund the Qawra III Development.

In April 2022, the Group redeemed in full the outstanding amount of €29.1 million in 3.65% Secured Bonds 2022.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

George Muscat	Chairman and Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Francis X. Gouder	Independent Non-Executive Director
Mark Castillo	Independent Non-Executive Director
Chris Cilia	Independent Non-Executive Director

2.2 DIRECTORS OF THE 2020 BOND GUARANTOR, 2021 BOND GUARANTORS AND 2022 BOND GUARANTOR

The following are the directors of each of **GQM**, **GQL** and **GZL**:

George Muscat	Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director

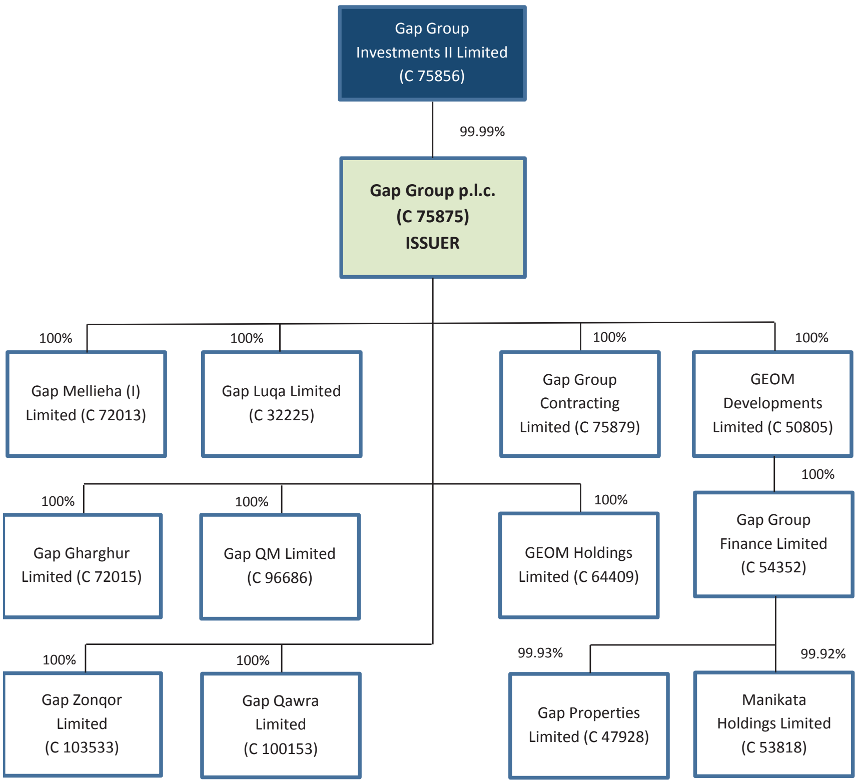
2.3 SENIOR MANAGEMENT

The Issuer itself has no employees and is managed directly by its board of directors. Each project company employs a number of management personnel and other employees devoted to managing each Project. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Group company; those services are then re-charged to the Group company where they are from time to time deployed.

Senior management of the Group is engaged by GGCL, the members of which are the following:

George Muscat	Chairman
Paul Attard	Director of Sales and Marketing
Adrian Muscat	Director of Sites
Keith Fenech	Chief Financial Officer
Raymond Grixti	Project Manager
Chris Gauci	Sales Manager
Elton Deguara	Sales Manager

3. ORGANISATIONAL STRUCTURE



The organisational structure of the Gap Group is depicted above. The Group is equally owned by three individual shareholders, namely, Paul Attard, Adrian Muscat and George Muscat, through Gap Group Investments II Limited (C 75856). Each of GML, GPL, GGL, GDL, GHL, GLL and GQM are project companies each entrusted with the construction and development of real-estate projects which, as at the date of this report, have been completed or are ongoing.

GZL is a recently incorporated company entrusted with the construction and development of the Żonqor Development.

3.1 2022 BOND GUARANTOR

3.1.1 Gap Żonqor Limited

GZL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 103533, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GZL has an authorised share capital of €1,200 (one thousand two hundred Euro) and an issued share capital of €1,200 (one thousand two hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GZL was set up on 18 October 2022 to acquire the Żonqor Site and develop the Żonqor Development.

3.2 2021 BOND GUARANTORS

3.2.1 Gap Qawra Limited

GQL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 100153, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQL has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQL was set up on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development.

3.2.2 Gap QM Limited

GQM is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 96686, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQM has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQM was set up on 23 September 2020 to acquire the Qawra Site II and Mosta Site and develop the Qawra II Development and Mosta Development.

3.3 2020 BOND GUARANTOR

3.3.1 Gap QM Limited

See section 3.2.2 above.

4. CURRENT DEVELOPMENT PROJECTS

4.1 QAWRA II DEVELOPMENT

IIn Q4 2020, GQM acquired a building site located in Triq in-Nakkri, Qawra (in the limits of St Paul's Bay) for a consideration of €4.6 million. The site has a superficial area of approximately 1,924m^2 which, on completion, shall comprise two blocks of apartments consisting, in aggregate, of 93 residential units.

The Qawra II Development shall be spread over eight levels and shall include 151 lock-up garages spread over three underground levels. The combined gross floor space of the apartments and garages shall consist of an area of 16,810m^2. The apartments shall be sold in a complete state and will mainly comprise a mix of one and two bedroomed residential units. Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The village of Qawra is located in the northern part of Malta. Being a coastal village, Qawra is a popular tourist destination but is also attractive to locals seeking to purchase a summer home or a reasonably priced residency. The Qawra II Development will include mainly a mix of one and two bedroomed apartments, measuring approximately 90m^2 to 120m^2, and have been priced to target primarily first-time buyers and buy-to-let investors. The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra II Development to a market where the Directors believe demand will remain strong.

The overall costs of construction and finishings of the Qawra II Development, excluding the cost of acquisition of the Qawra Site II, is expected to be in the region of €7.6 million. Construction commenced in Q1 2021 and such works were completed in Q1 2022. The project including finishing works is expected to be finalised by Q4 2022. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €7.6 million. Payment under the said contract is being settled by GQM according to agreed fixed monthly payments.

As at 31 October 2022, 57 units (61%) were subject to preliminary sale agreements. Projected revenues to be generated from the sale of units of the Qawra II Development is expected to amount to €21.5 million (net of sales commissions).

4.2 MOSTA DEVELOPMENT

In Q4 2020, GQM acquired a building site located directly on Triq id-Difiża Ċivili and on Triq tal-Qares, in Mosta, for a consideration of €10.1 million. The site has a superficial area of *circa* 5,895m^2 which on completion, shall comprise 114 apartments spread over 11 blocks.

The Mosta Development shall be spread over six levels and shall include 150 parking spaces, spread over two levels. The combined gross floor space of the apartments and garages shall consist of a saleable area of 20,208m^2. The apartments shall be sold in a complete state, including all common areas except for the commercial units which will be sold in shell form internally and finished externally. Each block shall have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. Furthermore, the penthouses at the topmost level of each block, shall be owned by third parties and shall include full ownership of the respective roof and airspace.

The village of Mosta is located in the northern region of Malta and is sought after by locals for the purposes of their primary residence. Mosta is a relatively large town which boasts of historical sites, shopping centres and other amenities. The Mosta Development is located on the outskirts of Mosta in a quieter area of the village. The project targets two different segments of prospective buyers. The majority of the development (68% of the Mosta Development) is targeted at the medium segment of the market. Such part of the development consists of two to three bedroomed apartments which have an approximate square meterage of 120m^2 – 165m^2 per apartment. The remainder of the development (32% of the Mosta Development) is targeted at the medium to high segment of the market. Such part of the development consists of larger apartments having a square meterage of 200m^2 per apartment, with each apartment enjoying unobstructed valley and distant views and is targeted at the medium to high segment of the market.

The overall construction and finishing expenditure of the Mosta Development is expected to be in the region of €9.1 million. Construction is expected to be completed by Q2 2023 and fully finished by Q4 2023. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €9.1 million.

As at 31 October 2022, 32 units (out of 45 units available on the market) were subject to preliminary sale agreements. Projected revenues to be generated from the sale of units of the Mosta Development is expected to amount to €40 million (net of sales commissions).

4.3 QAWRA III DEVELOPMENT

On 20 October 2021, GQL acquired the rights under a preliminary agreement dated 18 February 2021 related to the sale and transfer of the temporary utile dominium of the Qawra Site III In terms of the said preliminary agreement so assigned in GQL's favour, GQL agreed to purchase and acquire the temporary utile dominium for the remaining period of 107 years out of the original grant of 150 years granted on the 6 July 1978 of Qawra Site III for a consideration of €7,500,000. Qawra Site III has a superficial area of approximately 2,375m^2.

GQL has in hand approved development permits for the purposes described below:

- Portion A, measuring approximately 1,395m^2 may be developed to comprise three blocks of residential units consisting of four maisonettes and two shops at ground floor, 36 apartments spread over 6 floors and 6 penthouses on the 7th floor. The project also includes 58 lock-up garages spread over two underground levels.

- Portion B, measuring approximately 980m^2, was earmarked for future development or for resale, depending on market circumstances and business opportunities of the Group.

The Group now intends to develop the full site into one residential project which shall comprise 116 residential units (mainly two-bedroomed apartments) and 173 underlying garages. As such, the Group has submitted applications to the Planning Authority (PC0017/21 and PA03106/22) to consider and approve the revised development plans. Subject to the issuance of development permits, the costs of development will be financed from the Group's internally generated cash flows.

Each residential block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a completed state, including all common areas and will comprise a mix of two and three bedroomed residential units, measuring approximately 180m^2 to 210m^2, which shall be priced to target primarily first-time buyers and buy-to-let investors. The commercial units shall be sold in shell form internally and finished externally.

The construction of the Qawra III Development commenced in Q1 2022, with construction and finishes envisaged to be completed by Q2 2024. Development works shall be carried out by GGCL pursuant to a works contract entered into between GQL and GGCL for a value of approximately €9.1 million (both for the development of Portion A and Portion B).

The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra III Development to a market where the Directors believe demand will remain strong.

Projected revenues to be generated from the sale of units of the Qawra III Development is expected to amount to €27.6 million (net of sales commissions).

5. COMPLETED PROJECTS

5.1 LUQA DEVELOPMENT

In April 2017, GLL acquired the legal title over a site, including its sub-terrain and airspace, having *circa* 8,500m^2 of developable land in Luqa, accessible from eight streets, namely, Triq Ġorġ Zahra, Triq Tumas Galea, Triq l-Iskola, Triq Ġeraldu Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq l-Aħwa Vassallo and Triq Ġuzeppi Callus, in an area known as Ta' Blejkiet in Luqa. The site is situated in the heart of the residential area of Luqa with close and direct access to the town's village core.

The Luqa Development is split into five zones and comprises 21 blocks having 301 underlying lock-up garages/car spaces and 268 residential units. To date, the project is fully complete in terms of construction works and finishings.

As at 31 October 2022, GLL had completed the sale of 261 residential units or 97% of aggregate inventory and the remaining 7 units were subject to promise of sale agreements.

5.2 MELLIEĦA DEVELOPMENT

In October 2016, GML acquired a plot of land measuring *circa* 5,100m^2 with access from the three streets surrounding the property situated in the Ta' Masrija area in Mellieħa over which the Mellieħa Development was developed.

The Mellieħa Development comprises 159 luxury apartments which are being sold finished in a complete state, including all common areas. The development encompasses 10 blocks of apartments, each with separate entrances and served with passenger lifts accessing both the apartments and underlying garage levels. The apartments at the top level also have access to roof level and enjoy full ownership thereof. The development also includes 174 lock-up underground garages spread over 3 underground levels. To date, the project is fully complete in terms of construction works and finishings.

As at 31 October 2022, GML had completed the sale of 157 residential units or 99% of aggregate inventory and the remaining 2 units were subject to promise of sale agreements.

5.3 MARSASCALA DEVELOPMENT

In 2019, GPL acquired a site measuring 2,402m^2 which is accessible from three streets, namely, Triq il-Kappara, Triq il-Vajrita and Triq Guzeppi Lanzon, Marsascala. Development works commenced in Q1 2020 and are now completed. The project comprises 63 residential units and 93 garages.

As at 31 October 2022, GPL had completed the sale of 54 residential units or 86% of aggregate inventory. The remaining 9 units included 8 units which were subject to promise of sale agreements and 1 unit in stock and available for sale.

5.4 SAN PAWL TAT-TARĠA DEVELOPMENT

In 2019, GGL acquired a site measuring 330m^2, situated in Triq Jean de la Vallette, San Pawl ta-Targa, Naxxar over which nine residential units and eight garages were developed. As at 31 December 2021, the project was fully completed.

The residential units were placed on the market towards the end of Q3 2020 and one unit was contracted by end of FY2021. As at 31 October 2022, GGL had completed the sale of 7 residential units or 78% of aggregate inventory and the remaining 2 units were subject to promise of sale agreements.

5.5 BIRKIRKARA DEVELOPMENT

In 2019, GGL acquired a site measuring 450m^2, situated in Triq Qormi, Birkirkara, over which 14 residential units and nine garages were constructed. The project was fully completed by 31 December 2021.

As at 31 October 2022, GGL had completed the sale of 13 residential units or 93% of aggregate inventory while the last remaining unit was subject to a promise of sale agreement.

6. NEW DEVELOPMENT PROJECTS

6.1 ŻONQOR DEVELOPMENT

GZL shall appear on a deed of sale in respect of the sale and transfer of the emphyteusis of the Żonqor Site for a consideration of €14,847,000. As at the date of this report, Gap Projects Limited has agreed to purchase the Żonqor Site from the vendors of the said site. The amount of €600,000 has been paid by the Issuer to the vendors on account of the purchase price. On the deed of sale Gap Projects Limited shall assign and novate all its rights and obligations under the said promise of sale agreement to GZL.

The village of Marsascala is located in the south eastern region of Malta. Originally a small fishing village, Marsascala evolved into a tourist destination and a permanent hometown or summer residence for locals as well as foreigners seeking a retirement home in Malta. Marsascala is a seaside village which boasts of a picturesque bay, a promenade continuing to St Thomas Bay and has a range of restaurants and bars.

The Żonqor Site is situated on four streets in the Żonqor area of Marsascala, with its main façade being south facing. The development is fully residential, apart from two small shops. Once constructed and developed, the Żonqor Development will consist of 118 apartments to be sold in a finished state (excluding internal doors) and including all common areas.

The apartments shall be spread on 8 levels in each block. The development shall also include 182 lock-up garages spread over 5 underground levels and 2 Class 4B shops. The combined gross floor area of the apartments and garages constitutes a saleable area of 31,560m^2.

Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a complete state and will comprise a mix of one, two and three bedroomed residential units, measuring approximately 55m^2 to 210m^2, respectively, which shall be priced to target primarily local first-time buyers and second-time buyers as well as foreign investors seeking a summer residence in Malta. The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Żonqor Development to a market (first-time buyers, second-time buyers and buyers seeking a summer residence) where the Directors believe demand will remain strong.

The overall costs of construction and finishes of the Żonqor Development, excluding the cost of acquisition of the Żonqor Site, is expected to be in the region of €17.64 million.

The construction of the Żonqor Site is expected to commence in Q1 2023, with construction and finishes envisaged to be completed by Q1 2025. Development works are being carried out by GGCL pursuant to a works contract entered into between GZL and GGCL for a value of approximately €16.2 million. Payment under the said contract shall be settled by GZL according to agreed fixed monthly payments.

The Directors expect the aggregate net sales revenues from the Żonqor Development to be in the region of €45.5 million.

7. THE RESERVE ACCOUNT

All sales of units, including residential units and garages/car spaces, forming part of the Hypothecated Property shall be made on condition that units are released of all hypothecary rights and privileges encumbering the units being sold. For this purpose, the Security Trustee shall be empowered to release individual units of the Hypothecated Property from the security interest encumbering such unit/s upon receipt by it from the Issuer or from a prospective purchaser of a fixed amount of the purchase price attributed to each unit forming part of the Hypothecated Property.

All amounts received by the Trustee from the sales proceeds of units, forming part of the Hypothecated Property, shall be credited to the Reserve Account and shall be retained for the purpose of redeeming the 2016 Bonds, 2020 Bonds, 2021 Bonds and, or the 2022 Bonds (as the case may be) on maturity. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the directors of the Issuer are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the outstanding Bonds on maturity.

8. ECONOMIC AND SECTOR ANALYSIS

8.1 ECONOMIC UPDATE [1]

The Maltese economy is expected to grow strongly by 5.7% in 2022, driven by domestic demand and export of services, including tourism. Growth is forecast to moderate to 2.8% in 2023, as the supporting growth momentum of exported services fades and the impact of higher prices reduces household purchasing power. Economic growth is projected to reach 3.7% in 2024. Malta has kept energy prices unchanged due to the implementation of sizeable government measures. The government remains committed to keeping energy prices stable also for 2023 and 2024. As a result, the general government deficit is projected to be at 6% in 2022, among the highest in the EU, only gradually decreasing in 2023 and 2024. Public debt remains close to 60% of GDP.

In the first nine months of 2022, Russia's invasion of Ukraine impacted economic growth in Malta only to a limited extent, given Malta's low direct exposure to trade with these two countries. On the back of a strong economic performance in the first half of 2022, real GDP growth for the full year is expected to reach 5.7%, driven by robust domestic demand and a strong positive contribution from net exports.

The tourism sector in Malta is expected to show robust growth in 2022, as the number and expenditure of tourists by August 2022 reached around 80% of the 2019 level. In the current volatile environment, real GDP growth is forecast to moderate markedly to 2.8% in 2023 as the positive contribution of net exports diminishes and domestic demand growth slows down, due to weakening private consumption and negative growth in government consumption. In 2024, GDP growth is expected to reach 3.7%, supported by net exports and growth in public consumption.

Overall, growth of exports in 2023 is expected to weaken, as the general slowdown in economic performance among Malta's trading partners starts to have a greater negative impact on the Maltese economy.

[1] European Economic Forecast – Autumn 2022 (European Commission, Institutional Paper 187, November 2022).

In the past two years, Malta managed to maintain strong employment growth by limiting the impact of the pandemic through fiscal support. Employment grew by 2.9% in 2021, with the wage support measures remaining largely in place. Employment is set to continue growing at a similar pace in 2022 and over the forecast horizon. Labour shortages are expected to persist. Demand for labour remains strong in tourism and administrative services sectors, while Malta continues to attract foreign workers, adding to its labour force. Malta's unemployment rate is forecast to decline to 3.2% in 2022, and to further decrease to all-time lows in 2023 and 2024.

Malta's government intervened to keep energy prices unchanged in 2022, with an expressed government's commitment to pursue this line of action over the forecast horizon. Despite this effort, inflation in 2022 is expected to rise to 6.1%. Inflation is particularly high in imported goods, particularly food, transport, hospitality and housing services. These factors will continue to drive price increases in 2023, with inflation expected at 4.0%. At the same time, wage growth is expected to remain moderate.

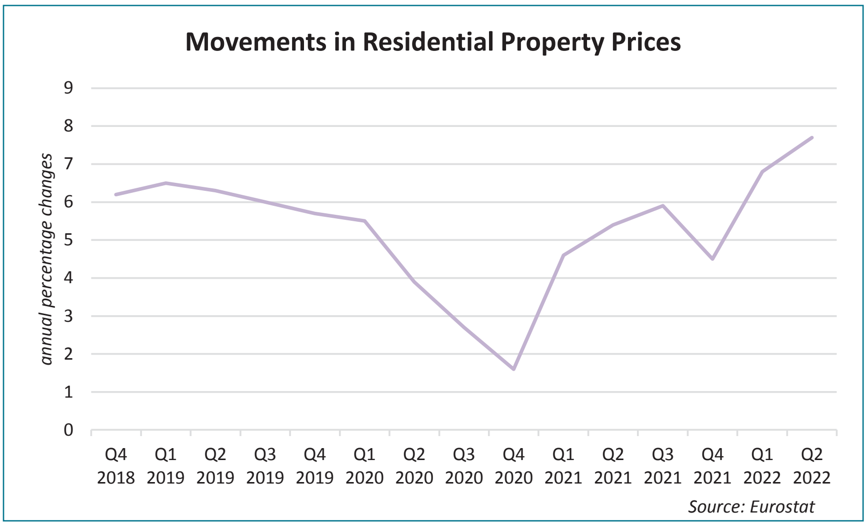
The government deficit is expected to decrease from 7.8% of GDP in 2021 to 6.0% in 2022. The increase in public expenditure related to measures to mitigate the impact of high energy prices is the main factor explaining this still high deficit level despite strong nominal GDP growth and the phasing out of pandemic-related support measures. These energy-related measures are estimated to account for 2.9% of GDP in 2022 and are expected to further rise to 3.5% of GDP in 2023, before declining to 2.7% of GDP in 2024. As a result, the general government deficit is set to decrease only marginally to 5.7% of GDP in 2023 and more markedly to 4.4% in 2024.

Tax revenue is expected to increase over the forecast horizon, in line with nominal GDP. Following further growth in employment, the revenue from social contributions is also projected to continue increasing.

The government debt-to-GDP ratio is set to increase to 57.4% in 2022 and gradually reach 60.6% in 2024 as the primary balance remains negative and nominal GDP growth becomes less dynamic.

8.2 PROPERTY MARKET

The NSO's Property Price Index (PPI) – which is based on actual transactions involving apartments, maisonettes and terraced houses – continued to increase in annual terms. However, the annual rate of change slowed down to 4.5% in the last quarter of 2021 from 5.9% in the third quarter of 2021. Moreover, house price inflation in Malta remained below that in the euro area where prices increased at an annual rate of 9.4%.



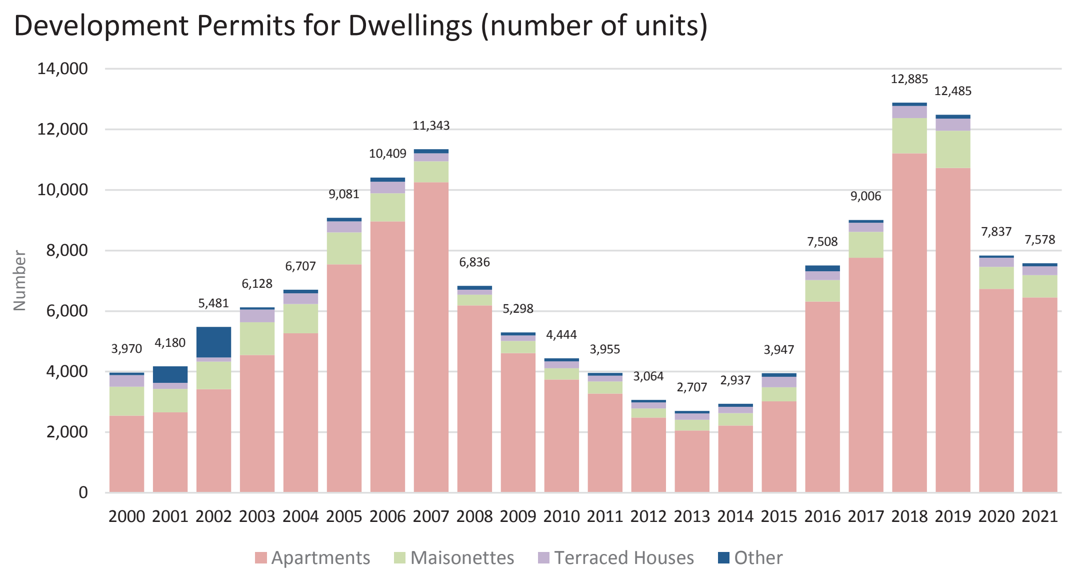
Notwithstanding the slower growth recorded in the fourth quarter of 2021, the annual average house price inflation remains close to that recorded in the last four years before the pandemic. At the same time, residential property prices seem to have returned to a growth trend following the slowdown in growth during the initial stages of the pandemic. In Q1 2022 and Q2 2022, the annual percentage rate of change increased from 4.5% in Q4 2021 to 6.8% and 7.7% respectively.

Residential property prices are being supported by numerous factors including low interest rates and a number of Government schemes, which include the temporary measures launched following the pandemic. Such schemes reflect, for example, lower property tax rate and stamp duty to eligible transfers of immovable property. In particular, in 2020, the property tax and stamp duty on the first €400,000 of the value of the transfer were reduced to 5.0% and 1.5% respectively. Moreover, Budget 2021, Budget 2022 and Budget 2023 extended or introduced more incentives supporting the property market that were in place before the pandemic.[1]

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

During the first 10 months of 2022, 11,956 final deeds of sale were concluded, an increase of 327 deeds from the same period a year earlier (Jan to Oct 2021: 11,629 deeds). The value of the afore-mentioned deeds amounted to €2,693.9 million compared to €2,549.2 million in the first 10 months of 2021 (+€144.7 million or +5.7%).[2]

The number of residential building permits issued in 2021 amounted to 1,633 permits (2020: 1,675 permits) for the development of 7,578 residential units (2020: 7,837 residential units). As shown in the below chart, the number of units in 2021 (7,578) reflects a decrease of 41% from the all-time high of 12,885 units in 2018.



Source: Central Bank of Malta

During the first half of 2022, 1,047 building permits for a total of 5,367 new dwellings were approved. When compared to the corresponding 6-month period of 2021, the number of building permits and approved new dwellings increased by 15% (+137 permits) and 39% (+1,500 new dwellings) respectively.[3]

[1] Central Bank of Malta Quarterly Review (2022 Vol. 55 No. 2; pages 57 and 58); Budget Speech 2023, page 72.

[2] National Statistics Office Malta – News Release 201/2022

[3] National Statistics Office Malta – News Release 145/2022

PART 2 – GAP GROUP PERFORMANCE REVIEW

9. FINANCIAL INFORMATION

The following financial information is extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2019 to 2021. The projected consolidated financial information for the years ending 31 December 2022 and 31 December 2023 has been provided by management of the Issuer.

The projected financial information relates to events in the future and is based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

GAP Group p.l.c. Consolidated Statement of Comprehensive Income for the year ended 31 December	**2019 Actual €'000**	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Forecast €'000**	**2023 Projection €'000**
Revenue	28,287	23,786	50,116	30,481	46,366
Cost of sales	(20,500)	(15,816)	(35,317)	(22,097)	(33,028)
Administrative expenses	(1,650)	(1,167)	(2,550)	(1,655)	(1,020)
Operating profit	**6,137**	**6,803**	**12,249**	**6,729**	**12,318**
Investment income	729	592	717	501	235
Finance costs	(3,493)	(1,811)	(1,574)	(1,035)	(1,318)
Profit before tax	**3,373**	**5,584**	**11,392**	**6,195**	**11,235**
Taxation	(2,245)	(1,482)	(2,527)	(1,822)	(3,709)
Profit for the year	**1,128**	**4,102**	**8,865**	**4,373**	**7,526**
Other comprehensive income					
Movement in fair value of financial assets	157	(123)	76	12	85
Total comprehensive income for the year	**1,285**	**3,979**	**8,941**	**4,385**	**7,611**

Key Accounting Ratios	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Actual**	**FY2022 Forecast**	**FY2023 Projection**
Operating profit margin *(Operating profit/revenue)*	22%	29%	24%	22%	27%
Interest cover (times) *(Operating profit/net finance cost)*	2.22	5.58	14.29	12.60	11.37
Interest cover 2 (times) *(Operating profit/finance cost)*	1.76	3.76	7.78	6.50	9.35
Net profit margin *(Profit after tax/revenue)*	4%	17%	18%	14%	16%
Earnings per share (€) *(Profit after tax/number of shares)*	0.45	1.64	3.55	1.75	3.01
Return on equity *(Profit after tax/shareholders' equity)*	10%	27%	41%	17%	22%
Return on capital employed *(Operating profit/total assets less current liabilities)*	8%	7%	13%	7%	12%
Return on assets *(Profit after tax/total assets)*	1%	4%	8%	4%	7%

Source: MZ Investment Services Limited

In FY2020, the Group generated revenue amounting to €23.8 million compared to €28.3 million in FY2019 (-16%). Approximately 55% of revenue was derived from sales of units forming part of the Mellieħa Development and *circa* 39% from the Luqa Development. Operating profit for the year amounted to €6.8 million, an increase of €0.7 million from a year earlier, and total comprehensive income amounted to €4.0 million (FY2019: €1.3 million).

Operating profit margin improved from 22% in FY2019 to 29%, while net profit margin increased from 4% in FY2019 to 17%. Due to higher operating profits, interest cover increased from 2.22 times in FY2019 to 5.58 times in the last financial year. The efficiency ratios being a measure of a company's ability to use one's assets to generate income have also increased year-on-year. In fact, return on equity increased from 10% to 27% in FY2020, return on capital employed decreased by 1 percentage point to 7% while return on assets increased from 1% in FY2019 to 4%.

In FY2021, the Group's revenue more than doubled from €23.8 million in FY2020 to €50.1 million. Approximately 85% of revenue was generated from the Luqa Development and Mellieħa Development, while 15% was derived from projects described in section 5.3 to 5.5 of this report (primarily from the Marsascala Development). In consequence, operating profit increased by €5.4 million (+80% y-o-y) to €12.2 million (FY2020: €6.8 million), though operating margin decreased from 29% in FY2020 to 24% in FY2021. Due to the improvement in profitability, the return on equity increased substantially by 14 percentage points to 41% (FY2020: 27%).

Finance costs decreased from €1.8 million in FY2020 to €1.6 million in FY2021, though this represents that portion of finance costs which was not attributable to the development phases of Group projects.

Profit for the year (FY2021) increased by 125% to €8.9 million (FY2020: €4.0 million), while net profit margin improved by 1 percentage point to 18%. The efficiency ratios, being a measure of a company's ability to use one's assets to generate income, have also increased year-on-year. In fact, return on equity increased from 27% to 41% in FY2021, return on capital employed improved by 5 percentage points to 13%, while return on assets doubled from 4% in FY2020 to 8%.

Revenue in FY2022 is projected to amount to €30.5 million compared to €50.1 million in the prior year, the majority of which is expected to be generated from sales of units at the Luqa Development and Marsascala Development. Approximately 17% of revenue is projected from the Mellieħa Development, San Pawl tat-Tarġa Development and Birkirkara Development, while 10% is expected to be generated from sales of residential units from the Qawra II Development.

Operating profit is forecasted to amount to €6.7 million compared to €12.2 million in FY2021, which will result in a 2% drop in operating profit margin to 22% (FY2021: 24%). Net finance costs and taxation are expected to decrease on a y-o-y basis by €0.3 million and €0.7 million respectively.

Net profit in FY2022 is projected at €4.4 million compared to €8.9 million in FY2021 (-51%). The net profit margin is expected to be impacted by 4 percentage points to 14%. Reflective of the lower profitability, earnings per share is estimated to decrease from €3.55 in FY2021 to €1.75. For the same reason, return on equity is projected to decrease from 41% to 17% in FY2022, return on capital employed should decline by 5 percentage points to 7%, while return on assets is expected to fall to 4% from 8% in the prior year.

In FY2023, the Group expects to generate revenue of €46.4 million, an increase of €15.9 million from FY2022, mainly on account of property sales related to the Mosta Development and Qawra II Development. As such, operating profit is projected to amount to €12.3 million (FY2022: €6.7 million), resulting in an operating profit margin of 27% (FY2022: 22%).

The Group expects to register a net profit margin of 16% in FY2023 compared to 14% in the prior year and thus report a net profit of €7.6 million (FY2022: €4.4 million). Due to higher profitability (y-o-y), all efficiency ratios are expected to improve: 22% return of equity compared to 17% in FY2022; return on capital employed of 12% compared to 7% in the prior year and a return of 7% on assets (FY2022: 4%).

GAP Group p.l.c.
Consolidated Statement of Financial Position
as at 31 December

	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	32	23	19	26	26
Loans and other receivables	10,111	10,382	10,676	15,445	15,530
Sinking fund	6,036	12,577	9,670	2,362	33,349
	16,179	22,982	20,365	17,833	48,905
Current assets					
Inventory - development project	48,958	62,649	45,820	73,358	54,626
Trade and other receivables	2,553	4,303	9,481	496	496
Sinking fund	12,498	7,528	35,247	8,619	-
Cash and cash equivalents	7,698	2,060	1,260	8,860	4,804
Amounts held by the trustee	-	4,373	-	9,482	2,423
	71,707	80,913	91,808	100,815	62,349
Total assets	**87,886**	**103,895**	**112,173**	**118,648**	**111,254**
EQUITY					
Capital and reserves					
Called up share capital	2,500	2,500	2,500	2,500	2,500
Other capital	3,057	2,934	3,011	2,941	2,941
Retained earnings	5,598	9,700	16,064	20,520	28,131
	11,155	**15,134**	**21,575**	**25,961**	**33,572**
LIABILITIES					
Non-current liabilities					
Borrowings and other financial liabilities	6,141	7,737	6,892	3,513	-
Debt securities	56,991	69,864	69,002	72,440	64,314
	63,132	77,601	75,894	75,953	64,314
Current liabilities					
Bank overdrafts	-	500	-	-	-
Borrowings and other financial liabilities	2,610	657	3,061	-	1,347
Other current liabilities	10,989	10,003	11,643	16,734	12,021
	13,599	11,160	14,704	16,734	13,368
	76,731	**88,761**	**90,598**	**92,687**	**77,682**
Total equity and liabilities	**87,886**	**103,895**	**112,173**	**118,648**	**111,254**

Key Accounting Ratios

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast	FY2023 Projection
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	78%	78%	60%	64%	43%
Gearing ratio 2 (times) *(Total net debt/shareholders' equity)*	3.54	3.45	1.52	1.80	0.75
Net debt to Operating profit (years) *(Net debt/Operating profit)*	6.44	7.68	2.68	6.93	2.04
Net assets per share (€) *(Net asset value/number of shares)*	4.46	6.05	8.63	10.38	13.43
Liquidity ratio (times) *(Current assets/current liabilities)*	5.27	7.25	6.24	6.02	4.66

Source: MZ Investment Services Limited

In FY2020, the Group raised €21 million through the issue of the 2020 Bonds, of which, €15 million of proceeds was used to acquire the Qawra II Site and the Mosta Site. The remaining balance was utilised to settle capital creditor balances and to part fund ongoing development costs in relation to the Qawra II Development and the Mosta Development. Inventory increased from €49.0 million in FY2019 to €62.6 million, while cash balances (including sinking fund amounts) decreased from €20.2 million in FY2019 to €14.0 million.

Total assets as at 31 December 2021 amounted to €112.2 million compared to €103.9 million in the prior year. The principal item is inventory of sites and progress development works which stood at €45.8 million in FY2021 (FY2020: €62.6 million). Due to the substantial turnover in FY2021, cash balances increased on y-o-y basis from €14.0 million in FY2020 to €36.5 million (inclusive of sinking fund amount).

The Group's equity increased by 43% from €15.1 million in FY2020 to €21.6 million on account of the net profits reported during the year and after deducting the distribution of an interim dividend of €2.5 million.

Total liabilities of the Group mainly comprised debt securities which remained unchanged at almost €70 million.

The gearing ratio of the Group decreased from 78% in FY2020 to 60% in FY2021 primarily on account of the above-mentioned increase in cash balances and retained earnings. Net debt to operating profit improved considerably to 2.68 years compared to 7.68 years in FY2020. The liquidity ratio was at 6.24 times (FY2020: 7.25 times) particularly in view of the significant amount of property inventory held in current assets, while the majority of borrowings are non-current liabilities repayable after more than 1 year. Furthermore, net assets per share increased from €6.05 in FY2020 to €8.63 in FY2021.

In the initial 4 months of FY2022, the Group issued €21 million 3.9% secured bonds 2024 – 2026 and cancelled €10.8 million of the 4.25% secured bonds 2023. Furthermore, the Group repaid in full €29.1 million 3.65% secured bonds 2022. Assuming the successful issue of €23 million in 4.75% secured bonds 2025 – 2027 in Q4 2022, the outstanding balance of debt securities as at year end is expected to amount to €72.4 million compared to €69.0 million in FY2021.

The gearing ratio of the Group is projected to increase from 60% in FY2021 to 64% in FY2022. Due to the combination of increased debt (for property acquisition and development purposes) and lower profitability, net debt to operating profit is expected to lengthen from 2.68 years in FY2021 to 6.93 years in FY2022. Notwithstanding, net assets per share should increase to €10.38 compared to €8.63 in the previous financial year.

Inventory as at 31 December 2022 is expected to amount to €73.4 million (FY2021: €45.8 million) and shall mainly include the Qawra II Site, the Mosta Site, the Qawra III Site and construction thereon as well as the Żonqor Site to be acquired by year end. The liquidity ratio is projected to remain stable at 6.02 times (FY2021: 6.24 times).

In FY2023, the Group will utilise *circa* €8.3 million of funds held in the sinking fund to redeem in full the 4.25% secured bonds 2023 and thereby reduce outstanding bonds from €72.4 million (FY2022) to €64.3 million. In view of the projected sales for the year, the security trustee is expected to receive €33.3 million into the sinking fund reserve for the benefit of bondholders, equivalent to 52% of amount of bonds in issue.

During the year, the Group will be predominantly focused on the development of the Mosta Development, Qawra III Development and the Żonqor Development and sales thereof. As such, the inventory amount of €54.6 million is expected to relate to the above-mentioned projects. The Group's liquidity ratio is expected to decrease y-o-y but remain healthy at 4.66 times (FY2022: 6.02 times).

Total equity in FY2023 is expected to increase by €7.6 million (+29%) to €33.6 million which will have a positive effect on the Group's gearing position. In fact, it is projected that the Group's leverage ratio will decline by 21 percentage points (y-o-y) to 43%. Furthermore, net debt to operating profit is expected to improve from 6.93 years (FY2022) to 2.04 years (FY2023). Net assets per share is projected to continue to strengthen to €13.43 compared to €10.38 in FY2022.

GAP Group p.l.c. **Consolidated Cash Flow Statement** **for the year ended 31 December**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**	**2022** **Forecast** **€'000**	**2023** **Projection** **€'000**
Net cash from (used in) operating activities	(20,317)	(10,862)	24,475	(11,233)	24,499
Net cash from (used in) investing activities	(1,206)	507	(2,866)	(783)	(22,132)
Net cash from (used in) financing activities	27,395	3,620	1,437	(6,149)	(13,482)
Net movement in cash and cash equivalents	**5,872**	**(6,735)**	**23,046**	**(18,165)**	**(11,115)**
Cash and cash equivalents at beginning of year	14,324	20,196	13,461	36,507	18,342
Cash and cash equivalents at end of year	**20,196**	**13,461**	**36,507**	**18,342**	**7,227**

Net cash outflow from operating activities in FY2020 amounted to €10.9 million compared to cash outflows of €20.3 million in FY2019. The cash outflow in FY2020 was mainly due to a y-o-y increase of €13.7 million in property inventory. Net cash from investing activities amounted to €0.5 million (FY2019: cash used in investing activities of €1.2 million) and primarily represented investment income.

Net cash from financing activities in FY2020 amounted to €3.6 million which was principally raised from issuance of bonds and bank loan facilities. In FY2020, net movement in cash and cash equivalents amounted to €6.7 million (adverse balance) compared to €5.9 million in FY2019 (positive balance).

Net movement in cash and cash equivalents in FY2021 amounted to €23.0 million (FY2020: adverse balance of €6.7 million). Net cash from operating activities reached €24.5 million, primarily on account of cash inflows from final sales contracts and a positive movement in working capital changes (mainly inventory).

Net cash used in investing activities amounted to €2.9 million, compared to inflows of €0.5 million in the prior year, on account of €3.6 million utilised for investment purposes while inflows of €0.7 million reflected investment income. Net cash from financing activities amounted to €1.4 million and represented net inflows from borrowings of €3.9 million and the payment (outflow) of €2.5 million in dividends.

In FY2022, the Group is projecting a net cash outflow from operating activities amounting to €11.2 million, mainly on account of the substantial increase in inventory estimated at €27.5 million. During the year, the Group expects to conclude the acquisition of the Żonqor Site for *circa* €15.4 million and advance further in the development of the Qawra II Development, Mosta Development and Qawra II Development.

Net movement in investments and investment income, reported as investing activities, is projected to result in a net cash outflow of €0.8 million (FY2021: net outflow of €2.9 million).

Net cash flows used in financial activities is projected to amount to €6.1 million (FY2021: net inflows of €1.4 million), reflective of a net increase in secured bonds, repayment of other borrowings and yearly interest paid.

In FY2023, net cash inflows from operating activities are projected to amount to €24.5 million, comprising amounts received from deposits and final contracts of €44.6 million and cash paid for development purposes, administrative costs and taxation of €20.1 million.

Movement in investing activities is projected to amount to an adverse balance of €22.1 million. During the year, it is expected that *circa* €8.6 million will be transferred from the trustee to the Group for the repayment of the 4.25% secured bonds 2023, while €31.0 million will be transferred by the Group to the sinking fund reserves of the 2020 Bonds and 2021 Bonds. The balance relates to interest income earned by the Group.

Net cash used in financing activities is estimated to amount to €13.5 million and shall comprise the full repayment of €8.3 million in 4.25% secured bonds 2023, the part repayment of the MDB loan amounting to €2.2 million and interest paid of €3.0 million.

Reserve Account

In terms of the respective prospectus, the Issuer is required to build a sinking fund, the value of which will, by the redemption dates of the respective bonds, be equivalent to 100% of the outstanding value of bonds. Below is a table outlining the actual and expected balance to be held in the reserve account as at the end of the financial years indicated hereunder.

Contributions to Reserve Account as at 31 December	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000	2023 Projection €'000
4.25% Secured Bonds 2023	17,712	18,405	19,091	8,619	
3.65% Secured Bonds 2022	822	1,700	25,826		
3.70% Secured Bonds 2023 - 2025				2,362	18,638
3.90% Secured Bonds 2024 - 2026					14,711
	18,534	**20,105**	**44,917**	**10,981**	**33,349**

The 3.65% secured bonds were fully redeemed in April 2022 and accordingly, all funds held in the reserve account were utilised for such purpose.

The Security Trustee holds a balance of €8.6 million for the purpose of redeeming the 4.25% secured bonds in 2023.

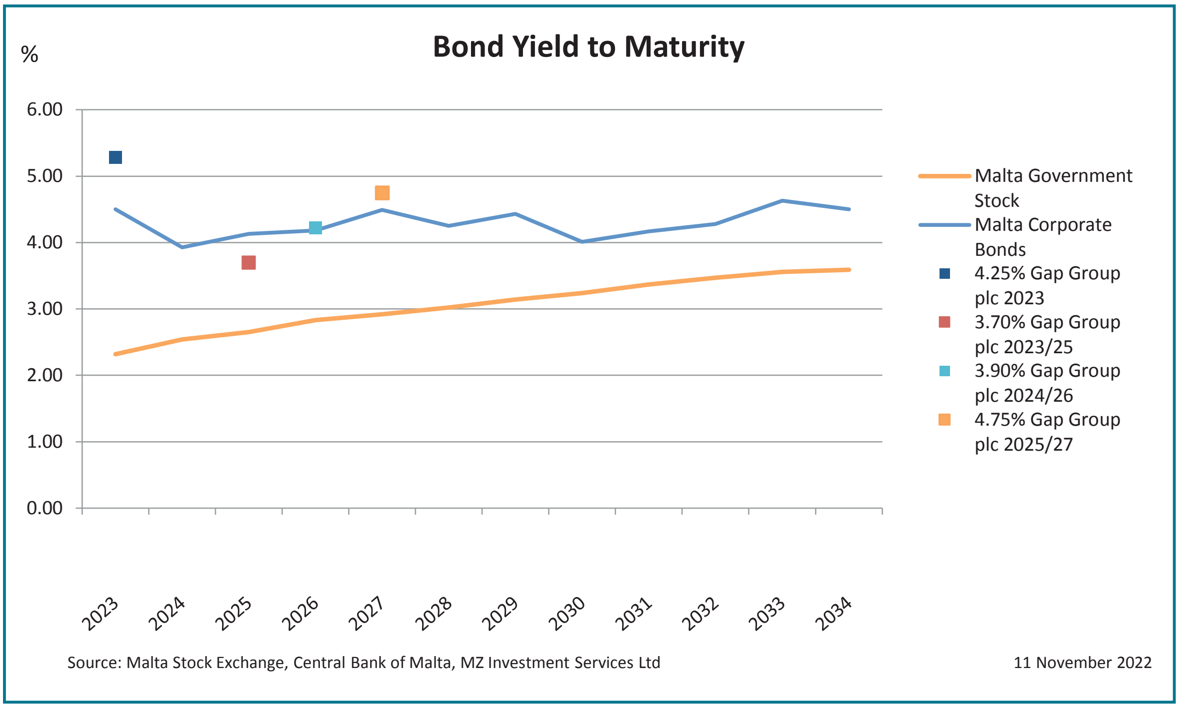
PART 3 – COMPARABLES

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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
4.25% GAP Group plc Secured € 2023	**8,349,900**	**5.28**	**14.81**	**112,173**	**21,575**	**60.31**
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.50	1.68	37,992	9,916	65.59
5.80% International Hotel Investments plc 2023	10,000,000	4.24	1.06	1,695,229	838,216	40.59
6.00% AX Investments Plc € 2024	40,000,000	3.21	1.69	374,099	237,143	25.10
6.00% International Hotel Investments plc € 2024	35,000,000	4.91	1.06	1,695,229	838,216	40.59
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.31	3.30	102,348	52,929	46.65
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.93	2.60	123,752	48,512	53.05
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.10	4.58	149,687	52,831	49.89
4.25% Best Deal Properties Holding plc Secured € 2024	9,137,200	2.99	-	24,561	6,893	62.61
3.70% GAP Group plc Secured € 2023-2025 Series 1	**21,000,000**	**3.70**	**14.81**	**112,173**	**21,575**	**60.31**
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.64	1.06	1,695,229	838,216	40.59
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.09	52.47	155,313	70,709	14.82
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.13	1.41	208,696	110,881	32.31
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.18	4.51	58,951	12,557	68.49
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.57	0.83	1,863,456	899,566	40.81
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.57	1.06	1,695,229	838,216	40.59
3.75% Premier Capital plc Unsecured € 2026	65,000,000	4.03	11.70	317,675	60,118	74.24
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	4.13	1.06	1,695,229	838,216	40.59
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	1.69	374,099	237,143	25.10
3.90% GAP Group plc Secured € 2024-2026	**21,000,000**	**4.22**	**14.81**	**112,173**	**21,575**	**60.31**
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.60	4.60	349,955	142,068	27.22
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.49	3.63	193,529	109,284	28.55
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	4.23	3.25	362,955	235,392	26.66
4.00% Hili Finance Company plc Unsecured € 2027	50,000,000	4.25	4.48	727,669	154,632	71.84
4.75% GAP Group plc Secured € 2025-2027	**23,000,000**	**4.75**	**14.81**	**112,173**	**21,575**	**60.31**
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.25	4.48	727,669	154,632	71.84
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.36	3.25	362,955	235,392	26.66
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.67	4.48	727,669	154,632	71.84
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.75	1.69	374,099	237,143	25.10
3.65% International Hotel Investments plc Unsecured € 2031	80,000,000	4.47	1.06	1,695,229	838,216	40.59
3.50% AX Real Estate plc Unsec Bds 2032	40,000,000	4.08	-	238,228	78,698	63.41
4.50% The Ona plc € 2028 - 2034	16,000,000	4.50	44.94	29,758	8,719	51.62

11-Nov-22

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



To date, there are no corporate bonds which have a redemption date beyond 2034. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The 2016 Bonds are trading at a yield of 5.28%, which is *circa* 78 basis points higher when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 296 basis points.

The 2020 Bonds are trading at a yield of 3.70%, which is *circa* 43 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 105 basis points.

The 2021 Bonds are trading at a yield of 4.22%, which is *circa* 4 basis points higher when compared to other corporate bonds maturing in 2026. The premium over FY2026 Malta Government Stock is 139 basis points.

The 2022 Bonds are priced at a yield of 4.75%, which is *circa* 29 basis points higher when compared to other corporate bonds maturing in 2027. The premium over FY2027 Malta Government Stock is 183 basis points.

PART 4 - EXPLANATORY DEFINITIONS

INCOME STATEMENT	
Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
Operating profit	Operating profit can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.
PROFITABILITY RATIOS	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
EFFICIENCY RATIOS	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
EQUITY RATIOS	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
CASH FLOW STATEMENT	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.
BALANCE SHEET	
Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment, and loans & other receivables.

Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Other capital	Other capital is included in total equity and mainly comprises a loan from shareholders. This loan is classified as quasi equity since it is interest free and only repayable to the shareholders after the settlement of amounts due to bondholders.
Net assets per share	Total assets less total liabilities divided by the number of equity shares in issue.
FINANCIAL STRENGTH RATIOS	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to operating profit	The net debt to operating profit ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its operating profit. This ratio shows how many years it would take for a company to pay back its debt if net debt and operating profit are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity. Shareholders' equity comprises 'other capital' as defined hereinabove.