

GAP Group Investments (II) Limited

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2022

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DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th JUNE 2022

The directors present their interim and unaudited report of the parent company financial statements together with the group's consolidated financial statements of GAP Group Investments (II) Limited as at 30 June 2022.

Principal Activities

GAP Group Investments (II) Limited is the parent company of GAP Group p.l.c.

GAP Group p.l.c. was set up to raise financial resources from the capital market to primarily finance the property development projects of the companies forming part of the Group and also to restructure the Group.

Review of business

Works on the developments progressed well and within the scheduled time frames. The GAP Group continued to sign new preliminary agreements at a steady pace whilst a good number of contracts from the Fairwinds development in Luqa and the Waterbank development in M'Scala were signed during the financial period under review.

Southridge - Mellieha

As at 30 June 2022, the entire Mellieha project is complete and fully finished.

Out of the 159 residential units, 156 units have been sold (contracted) and a further 2 units were subject to Preliminary agreement as at 30 June 2022.

This means that 99% of the residential units were committed, out of which 98% have been contracted as at 30 June 2022.

Fairwinds - Luqa

The Luqa Development consists of 268 units which are spread over 5 different zones and as at 30 June 2022, all zones were fully complete.

As at 30 June 2022, out of the 268 residential units, 255 units have been sold (contracted) and a further 12 units were subject to a preliminary agreement.

This means that 99% of the residential units were committed, out of which 95% have been contracted.

Waterbank - M'Scala

The Marsascala Development consists of 63 residential units and as at 30 June 2022, all works have been completed.

As at 30 June 2022, out of the 63 residential units, 48 units have been sold (contracted) and a further 12 units were subject to a preliminary agreement.

This means that 95% of the residential units were committed, out of which 76% have been contracted.

DIRECTORS' REPORT (CONTINUED)

Dumont - San Pawl tat-Tarġa

The project consists of 9 residential units and 8 garages. As at 30 June 2022 all works were fully complete.

As at 30 June 2022, out of the 9 residential units, 5 units have been sold (contracted) and a further 4 units were subject to a preliminary agreement.

This means that 100% of the residential units were committed, out of which 56% have been contracted.

Mulberry Park - Qawra

The project consists of 93 residential units and 151 garages. As at 30 June 2022, construction works were 100% complete, whereas finishing works were 90% complete.

As at 30 June 2022, out of the 93 residential units, 33 units were subject to a preliminary agreement.

This means that 35% of the residential units were committed and contracts are expected to start getting signed towards the end of this year.

The Pantheon - Mosta

The project is spread over three separate zones and consists of 114 residential units and 150 garages. As at 30 June 2022, construction works on the first zone that consists of 45 residential units were 100% complete, whereas finishing works were 75% complete.

As at 30 June 2022, out of the 45 residential units of the first zone, 18 units were subject to a preliminary agreement.

This means that 40% of the residential units were committed and contracts are expected to start getting signed towards the start of 2023.

Seaberry Park - Qawra

In January 2022, a newly incorporated subsidiary, acquired a plot of land in Qawra. Works on this project have commenced immediately and are progressing in line with expectations.

Bonds in issue

Pursuant to a prospectus published on the 6 December 2021, Gap Group p.l.c. issued €21,000,000 3.9% Secured Bonds 2024 - 2026, having a nominal value of €100 per Bond and issued at par. The Bonds were admitted to listing on the Official List of the Malta Stock Exchange on 17 January 2022 and trading commenced on 18 January 2022.

On 5 April 2022, the company redeemed in full the GAP Group p.l.c. 3.65% Secured Bonds 2022

The company has two other bonds in issue, namely the GAP Group p.l.c. 4.25% Secured Bonds 2023 and the Gap Group p.l.c. 3.7% Secured Bonds 2023 - 2025.

As at 30 June 2022 the aggregate amount of bonds in issue amounted to €49,818,065 being €8,349,900 GAP Group p.l.c. 4.25% Secured Bonds 2023, and €20,773,290 of the Gap Group p.l.c. 3.7% Secured Bonds 2023 - 2025 and €20,694,885 of the GAP Group p.l.c. 3.9% Secured Bonds 2024 - 2026.

DIRECTORS REPORT (CONTINUED)

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023, the 3.7% Secured Bonds 2023 – 2025 and the 3.9% Secured Bonds 2024 - 2026, a reserve account had been created by the Security Trustee to cover for the redemption of the three bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on condition that these units are freed from hypothecary rights and privileges against an agreed amount from the sale proceeds being deposited in the said Reserve Accounts.

By 30 June 2022, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €8,349,900 (i.e. 100% of the total bond repayment). With respect to the other two bonds, funds will start being deposited in their respective reserve accounts towards the end of this year, as soon as the group starts signing contracts from the Mulberry Park and the Pantheon projects.

Principal risks and uncertainties

Although the development works of the afore-mentioned projects and the securing of new sales by way of preliminary agreements are progressing as planned, the company is still subject to several financial risk factors including the market, economic, counter-party, credit and liquidity risks amongst others that may affect the projects and their timely completion. Additionally, the directors are monitoring closely inflationary risks resulting from the conflict in Ukraine and the aftermath of the COVID pandemic. The directors are confident that the company has robust measures in place to mitigate the likely possible effects of inflationary pressures. Where possible, the board provides principles for the overall risk management as well as policies to mitigate these risks in the most prudent way.

Results and dividends

The results for the period ended 30 June 2022 are shown in the Statement of Comprehensive Income on page 5. The Group registered a Profit for the period after tax amounting to €3,775,159 (January to December 2021 - €8,931,244), while the Company registered a loss of €10,444 (January to December 2021 - profit of €2,490,005).

DIRECTORS' REPORT (CONTINUED)

Statement of Directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company at the end of each financial period and of the profit or loss of the company and the group for the period then ended. In preparing the financial statements, the directors should:

- Ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- report comparative figures corresponding to those of the preceding accounting period

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and secretary

The Directors of the Company and the Group who held office during the year were Mr. George Muscat, Mr. Paul Attard and Mr. Adrian Muscat.

The company's secretary is Mr. Paul Attard.

On behalf of the Board of Directors:


George Muscat
Chairperson

Gap Holdings Head Office,
Censu Scerri Street,
Tigne,
Sliema SIm 3060

Date : 4 April 2023



Paul Attard
Director

INCOME STATEMENT

FOR THE PERIOD ENDED 30th JUNE 2022

	Group		Company	
	2022 Jan - June €	2021 Jan - Dec €	2022 Jan - June €	2021 Jan - Dec €
Turnover	20,599,150	50,116,459	-	-
Cost of sales	(14,379,512)	(35,317,274)	-	-
Gross Profit	6,219,638	14,799,185	-	-
Administrative expenses	(1,155,584)	(2,559,979)	(10,383)	(9,635)
Operating profit / (loss)	5,064,054	12,239,206	(10,383)	(9,635)
Finance costs	(645,679)	(1,574,549)	(61)	(360)
Investment income	457,421	717,252	-	2,500,000
Profit/(loss) before taxation	4,875,796	11,381,909	(10,444)	2,490,005
Tax expense	(1,031,037)	(2,527,253)	-	-
Profit for the period/year	<u>3,844,759</u>	<u>8,854,656</u>	<u>(10,444)</u>	<u>2,490,005</u>

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income

Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable

(69,600)	76,588	-	-
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Other comprehensive profit/(loss) for the period/year

<u>(69,600)</u>	<u>76,588</u>	<u>-</u>	<u>-</u>
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Total Comprehensive Income/(loss)

<u>3,775,159</u>	<u>8,931,244</u>	<u>(10,444)</u>	<u>2,490,005</u>
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Earnings per share

<u>1.54</u>	<u>4,961.80</u>	<u>0.00</u>	<u>1,660.00</u>
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STATEMENT OF FINANCIAL POSITION - 30th JUNE 2022

	Group		Company	
	2022	2021	2022	2021
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
ASSETS				
Non-current assets				
Property, plant and equipment	26,221	18,667	-	-
Investment in subsidiaries	-	-	2,499,996	2,499,996
Investments	8,359,200	9,670,000	-	-
Loans and other receivables	10,829,531	10,676,417	2,500,000	2,500,000
	<u>19,214,952</u>	<u>20,365,084</u>	<u>4,999,996</u>	<u>4,999,996</u>
Current assets				
Inventory - Development project	47,637,197	45,820,419	-	-
Trade and other receivables	18,977,908	25,701,646	16,500,560	16,514,484
Cash and bank balances	14,011,574	36,515,447	7,018	8,319
Income Tax refundable	26,708	-	-	-
	<u>80,653,387</u>	<u>108,037,512</u>	<u>16,507,578</u>	<u>16,522,803</u>
Total Assets	<u>99,868,339</u>	<u>128,402,596</u>	<u>21,507,574</u>	<u>21,522,799</u>

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2022 (continued)

	Group		Company	
	2022 Jan - June €	2021 Jan - Dec €	2022 Jan - June €	2021 Jan - Dec €
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1,800	1,800	1,800	1,800
Share Premium account	18,455,248	18,455,244	18,455,244	18,455,244
Revaluation reserve	440,952	510,552	-	-
Retained earnings/Accumulated losses	22,380,040	18,535,281	2,460,465	2,470,909
Total equity	41,278,040	37,502,877	20,917,509	20,927,953
Non-current liabilities				
Bank loans	2,950,791	6,887,236	-	-
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	49,818,065	69,001,852	-	-
Total non-current liabilities	52,773,763	75,893,995	-	-
Current liabilities				
Bank overdraft and loans	1,390,000	1,090,332	-	-
Trade and other payables	4,364,835	11,583,001	5,485	11,446
Other financial liabilities	-	2,260,093	584,580	583,400
Taxation due	61,701	72,298	-	-
Total current liabilities	5,816,536	15,005,724	590,065	594,846
Total liabilities	58,590,299	90,899,719	590,065	594,846
Total equity and liabilities	99,868,339	128,402,596	21,507,574	21,522,799

The financial information on pages 5 to 9 were approved by the board of directors and were signed on its behalf by:


George Muscat
Chairperson


Paul Attard
Director

Date : 4 April 2023

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30th JUNE 2022

	Share Capital €	Share Premuim €	Revaluation Reserve €	Retained earnings €	Total €
Group					
Balance at 1st January 2021	1,500	12,774,700	433,964	9,680,625	22,890,789
Comprehensive income					
Profit for the year	-	-	-	8,931,244	8,931,244
Revaluation reserve	-	-	76,588	(76,588)	-
Transaction with owners					
Issue of share capital	300	-	-	-	300
Increase in share premuim	-	5,680,544	-	-	5,680,544
Balance at 31st December 2021	1,800	18,455,244	510,552	18,535,281	37,502,877
Balance at 1st January 2022	1,800	18,455,244	510,552	18,535,281	37,502,877
Comprehensive income					
Profit for the period	-	-	-	3,775,159	3,775,159
Revaluation reserve	-	-	(69,600)	69,600	-
Balance at 30th June 2022	1,800	18,455,244	440,952	22,380,040	41,278,036
Company					
Comprehensive income					
Balance at 1st January 2021	1,500	12,774,700	-	(19,096)	12,757,104
Profit for the year	-	-	-	2,490,005	2,490,005
Transactions with owners					
Issue of share capital	300	-	-	-	300
Increase in share premuim	-	5,680,544	-	-	5,680,544
Balance at 31st December 2021	1,800	18,455,244	-	2,470,909	20,927,953
Balance at 1st January 2022	1,800	18,455,244	-	2,470,909	20,927,953
Comprehensive income					
Profit for the period	-	-	-	(10,444)	(10,444)
Revalutaion reserve	-	-	-	-	-
Balance at 30th June 2022	1,800	18,455,244	-	2,460,465	20,917,509

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2022

	Group		Company	
	2022 Jan - June €	2021 Jan - Dec €	2022 Jan - June €	2021 Jan - Dec €
Cash flows from operating activities				
Net profit before taxation	4,875,796	11,381,909	(10,444)	2,490,005
Adjustments for:				
Depreciation	4,979	14,106	-	-
Investment income	(457,421)	(717,252)	-	(2,500,000)
Interest expenses	645,679	1,574,549	61	360
Fair value gain on interest free long term receivable	(69,600)	76,588	-	-
Operating profit / (loss) before working capital changes	4,999,433	12,329,900	(10,383)	(9,635)
Trade and other receivables	7,460,081	(2,250,410)	13,924	1
Inventory - Development Project	(1,816,778)	16,828,499	-	-
Trade and other payables	(7,218,162)	1,556,563	(5,960)	(12,040)
Cash generated from operations	3,424,574	28,464,552	(2,419)	(21,674)
Interest payable	(645,679)	(1,574,549)	(61)	(360)
Income tax paid	(1,068,342)	(2,436,392)	-	-
<i>Net cash from / (used in) operating activities</i>	<u>1,710,553</u>	<u>24,453,611</u>	<u>(2,480)</u>	<u>(22,034)</u>
Cash flows from investing activities				
Loans and other receivables	(153,114)	-	-	-
Purchase of fixed assets	(12,533)	(9,774)	-	-
Investments (net)	1,310,800	(3,573,100)	-	-
Investment income	457,421	717,252	-	2,500,000
<i>Net cash from / (used in) investing activities</i>	<u>1,602,574</u>	<u>(2,865,622)</u>	<u>-</u>	<u>2,500,000</u>
Cash flows from financing activities				
Shareholders' loans	(2,260,093)	(7,859,215)	1,179	(8,880,498)
Related parties	(736,343)	(3,532,052)	-	(877,647)
Bank loans (net)	(3,636,777)	245,678	-	-
Other financial assets	(19,183,787)	6,185,779	-	-
Increase in share capital	-	300	-	300
Bonds and debentures	-	(862,305)	-	-
Share premium	-	5,680,544	-	5,680,544
<i>Net cash (used in) / from financing activities</i>	<u>(25,817,000)</u>	<u>(141,271)</u>	<u>1,179</u>	<u>(4,077,301)</u>
Movement in cash and cash equivalents	(22,503,873)	21,446,718	(1,301)	(1,599,335)
Cash and cash equivalents at beginning of the year	36,515,447	15,068,729	8,319	1,607,654
Cash and cash equivalents at end of the year	<u><u>14,011,574</u></u>	<u><u>36,515,447</u></u>	<u><u>7,018</u></u>	<u><u>8,319</u></u>

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2022

1 General information

GAP Group Investments (II) Limited is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema, SLM 3060, Malta.

GAP Group Investments (II) Limited is the parent company of GAP Group p.l.c. a listed company, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema, SLM 3060, Malta.

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) with the requirements of the the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below .

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise their judgements in the process of applying the company's accounting policies. Estimates and judgements 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, the accounting estimates and judgements 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.

2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. The Group financial statements include the financial statements of the parent Company and all its subsidiaries.

In the Company's financial statements investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from investments are recognised in the profit or loss.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value as are the identifiable net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2022

2 Summary of significant accounting policies (continued)

2.3 Inventory - Development project

The main object of the Company is the development of land acquired for development and resale. This development is intended in the main for resale purposes, and is accordingly classified in the financial statements as Inventory. Any elements of a project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, plant and equipment or investment properties when such identification is made and the cost thereof can reliably be segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

(i) The cost incurred on development works, including demolition, site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs, including imputed interest, attributable to the development phases of the project.

The purchase cost of acquiring the land represents the cash equivalent of the contracted price. This was determined at date of purchase by discounting to present value the future cash outflows comprising the purchase consideration.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

As stated in note 2.2 the Group accounts for business combinations using the acquisition method. Accordingly, at group level, the identifiable net assets acquired, including inventory held by the newly-acquired subsidiary, are measured at fair value as at date of acquisition of subsidiary. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

3 Borrowings

In December 2021, the GAP Group p.l.c issued a Prospectus for the issue of a €21,000,000 million 3.9% secured bond at par which was fully subscribed. The bond is redeemable at par at any date falling between 30 December 2024 and 30 December 2026 at the sole discretion of the Issuer.

The €21,000,000 3.7% Secured Bonds are redeemable at par at any date falling between 18 December 2023 and 17 December 2025 at the sole discretion of the Issuer.

The 4.25% Secured Bonds 2023 are redeemable at par on 3 October 2023, whereas the 3.65% Secured Bonds 2022 were redeemed in full on the 5 April 2022.

As at 30th June 2022, the proceeds from the bonds issued were equal to € 49,818,065. The three bonds are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

- i. Second ranking general hypothec over all the assets of the Issuer and over all the present and future property of the Issuer.
- ii. First ranking general hypothec over all the present and future assets of the Company and of GAP QM Limited and GAP Qawra Limited.
- iii. First ranking special hypothec over all present and future assets of the company and over the Mosta and Qawra Developments of GAP QM Limited and the Qawra Development of GAP Qawra Limited.