Financial Analysis Summary

26 June 2019

Issuer

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

WEALTH MANAGEMENT • CORPORATE BROKING

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A division of MeDirect Bank (Malta) plc

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

26 June 2019

Dear Sirs

Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the "**Issuer**"); Gap Mellieħa (I) Limited and Gap Luqa Limited (formerly Qawra Investments Limited) being the guarantors in relation to the issue of 3.65% secured bonds 2022 (ISIN: MT0001231217) (the "**Guarantors**"); and Gap Mellieħa (I) Limited, Gap Għargħur Limited, Gap Properties Limited and Geom Developments Limited being the guarantors in relation to the issue of 4.25% secured Bonds 2023 (ISIN: MT0001231209) (the "**Original Guarantors**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the period 1 June 2016 to 31 December 2016 and the financial years ended 31 December 2017 and 31 December 2018 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 Mellieħa (I) Limited (FP2016, FY2017 and FY2018), Gap Luqa Limited (FY2016 to FY2018), Gap Għargħur Limited (FP2016, FY2017 and FY2018), Gap Properties Limited (FY2016 to FY2018) and Geom Developments Limited (FY2016 to FY2018).

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(c) The projected consolidated financial data relating to the Issuer for the year ending 31 December 2019 have 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
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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DEFINITIONS

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, Tigné, Sliema SLM 3060, Malta;
Gap Group or **Group**	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, 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 bedroom 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);
Guarantor(s)	each of GML and GLL, being the guarantors in relation to the issue of the Secured Bonds;
Hypothecated Property	the immovable property described hereunder, namely: (i) the site under construction (and all constructions to be developed thereon) forming part of the Mellieħa Development, measuring approximately 5,100m^2 which site overlies garages within the Mellieha Development and when finished will consist of 72 residential units forming part of Block A to Block E, which site is owned by GML; (ii) the building site which includes its sub-terrain and airspace, in the area known as Ta' Blejkiet in Luqa, with developable land measuring approximately 8,500m^2 and which is 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, over which there shall be developed five zones of residential apartments (Zone A to Zone E) which will comprise 21 blocks with a total of 237 apartments and 219 garages, which site is owned by GLL; **Block A of the Mellieħa Development is secured in favour of the security trustee for the benefit of holders of the Original Bonds, whilst the remaining properties are secured in favour of the security trustee for the benefit of holders of the Secured Bonds;**

Luqa Development	the construction, development and finishing of a total of 237 apartments and 219 garages spread over 5 zones with a mix of one, two and three bedroom units over the site having a developable area of approximately 8,500m^2 known as Ta' Blejkiet in Luqa;
Mellieħa Development	the construction, development and finishing of a total of 152 residential units and 174 lock-up garages, spread over 10 blocks with a variety of one, two and three bedroom units over the site known as Ta' Masrija in Mellieħa measuring approximately 5,100m^2;
MHL	Manikata Holdings Limited (C 53818);
Original 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 €19,931,000;
Original Guarantor(s)	each of GML, GGL, GPL and GDL, being the guarantors in relation to the Original Bonds;
Qawra 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 bedroom 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;
Secured Bond(s) or **Bond(s)**	the €40,000,000 3.65% secured bonds 2022 (ISIN: MT0001231217) issued by the Issuer pursuant to a prospectus dated 4 March 2019;
Żebbuġ Development	the 193 apartments, 2 retail outlets and 144 underlying garage spaces all in a completely finished state, including all common areas and internal streets, forming part of the development on the site in Żebbuġ measuring approximately 6,878m^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 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.

Following the successful completion of the Żebbuġ Development, Għargħur Development and Qawra Development, the Gap Group is presently involved in the construction and development of the Mellieħa Development and Luqa 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. The Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

1.2 OVERVIEW OF HISTORICAL DEVELOPMENTS

In March 2012, GGF had issued €15,500,000 7% Secured Notes of a nominal value of €1,000 each, redeemable at par between 2014 and 2016 to finance two residential projects. Both of the projects have been completed, one of which is the Żebbuġ Development and another project consisting of a number of luxury villas in Manikata. The Notes then issued were fully redeemed on their redemption date, 30 March 2016.

On 6 September 2016, the Issuer acquired from Gap Group Investments p.l.c. (C 72012) the entire issued share capital of two companies, namely GML and GGL. GML acquired the site known as Ta' Masrija, by virtue of a deed published by Notary Dr Sam Abela on 21 October 2016, over which the Mellieħa Development is being constructed. GGL acquired the site over which the Għargħur Development was constructed by virtue of a deed published by Notary Dr Andre Farrugia on 4 February 2016. The Għargħur Development is, at the date of this report, completed.

In addition, by virtue of another share purchase agreement dated 6 September 2016, entered into with Gap Group Investments (III) Limited (C 76675), the Issuer acquired the entire issued share capital of GDL and all the issued ordinary 'A' shares of GHL. GDL holds a one hundred per cent interest in GGF which in turn has the controlling interest in each of GPL and MHL. GPL is the group company that owns the Żebbuġ Development, which has now been completed. GDL owns an undivided portion of the site situated in Triq il-Porzjunkola corner with Triq it-Tamar in Qawra, over which Blocks A, B and C of the

Qawra Development were developed and are, as at the date of this report, completed. The other undivided portion of land is owned by its affiliate Geom Holdings Limited.

In September 2016, the Issuer issued the Original Bonds to finance the Mellieħa Development, the Għargħur Development and the Qawra Development.

In December 2016, the Group (through GML) made an investment of €2.3 million in GLL (which at the time was a related party), to enable the latter company to enter into a preliminary agreement and settle other ancillary costs relating to the acquisition of a site over which the Luqa Development is being constructed. The deed of purchase was executed on 26 April 2017 and the then outstanding balance of consideration was financed mainly through a bank loan facility. On 24 January 2019, by virtue of a share transfer agreement, the Issuer acquired the entire issued share capital of GLL.

In March 2019, the Issuer issued the Secured Bonds and thereby reduced the outstanding nominal amount of Original Bonds from €40,000,000 to €19,931,000.

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 GUARANTORS AND ORIGINAL GUARANTORS

The following are the directors of each of:

GML, GLL, GPL and GGL:

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

GDL:

George Muscat	Executive Director
Francis X. Gouder	Non-Executive Director

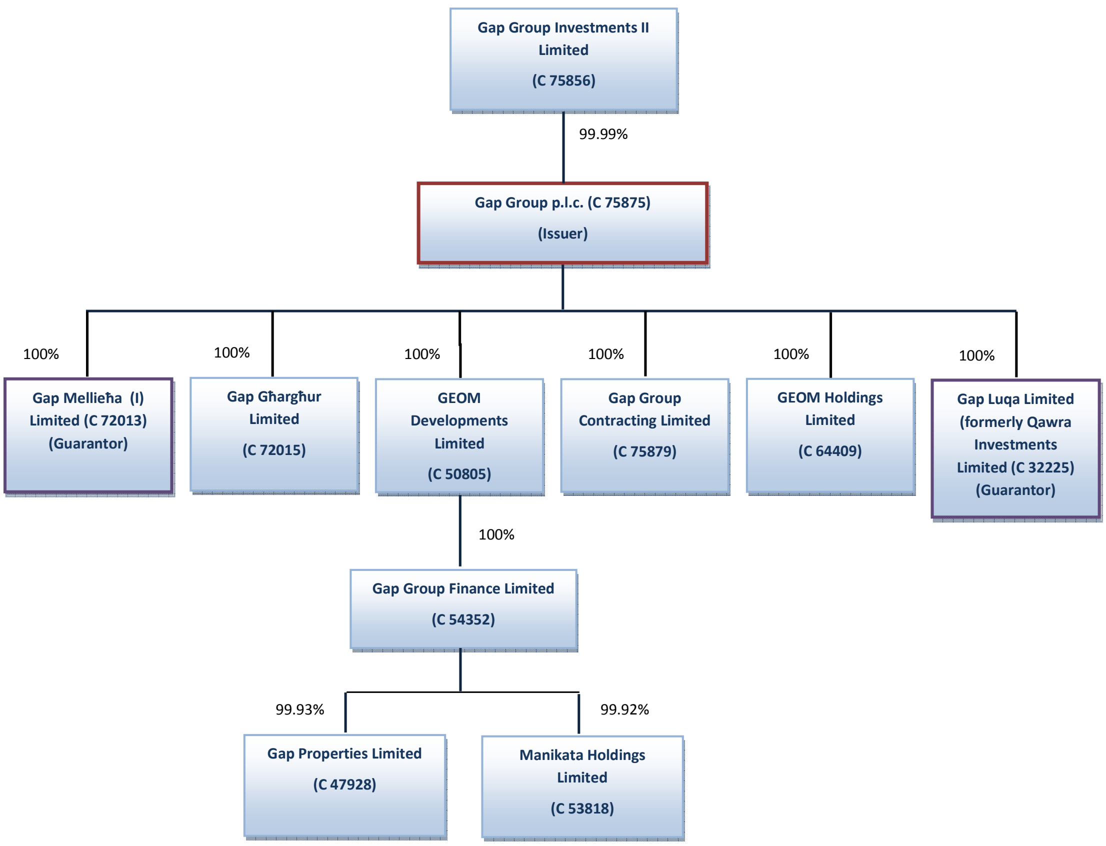
2.3 SENIOR MANAGEMENT

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
Chris Gauci	Sales and Marketing Manager
Elton Deguara	Sales and Marketing Manager
Adrian Muscat	Director of Sites
Raymond Grixti	Project Manager
Justin Cutajar	Chief Financial Officer

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 and GLL are project companies each entrusted with the construction and development of a real-estate project.

3.1 THE GUARANTORS

3.1.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the Act with company registration number C 32225, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GLL has an authorised share capital of €4,658.75 (four thousand six hundred fifty eight Euro and seventy five cents) divided into 2,000 ordinary shares of €2.329373 each, and an issued share capital of €1,397.62 (one thousand three hundred ninety seven Euros and sixty two cents) divided into 600 Ordinary Shares of €2.329373 each, fully paid up. GLL was set up on 10 October 2003 to operate any land and/or buildings it acquires.

3.1.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the Act with company registration number C 72013, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GML 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. GML was set up on 26 August 2015 to acquire the site and develop the Mellieħa Development.

3.2 THE ORIGINAL GUARANTORS

3.2.1 Gap Mellieħa (I) Limited

See section 3.1.2 above.

3.2.2 Gap Għargħur Limited

GGL is a private limited liability company, registered and operating in Malta in terms of the Act with company registration number C 72015, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GGL has an authorised share capital of €3,458 (three thousand four hundred and fifty eight Euro) and an issued share capital of €3,458 (three thousand four hundred and fifty eight Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GGL was set up on 26 August 2015 to acquire the site and develop the Għargħur Development.

3.2.3 Gap Properties Limited

GPL is a private limited liability company, registered in Malta in terms of the Act with company registration number C 47928, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GPL has an authorised share capital of €2,800 (two thousand eight hundred Euro) and an issued share capital of €2,800 (two thousand eight hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GPL was established to act as a property development company on 14 October 2009, initially for the Żebbuġ project.

3.2.4 Geom Developments Limited

GDL is a private limited liability company, registered in Malta in terms of the Act with company registration number C 50805, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GDL has an authorised share capital of €2,000 (two thousand Euro) and an issued share capital of €2,000 (two thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GDL was established on 7 October 2010, and acquired an undivided portion of the site situated in Triq il-Porzjunkola corner with Triq it-Tamar in Qawra, over which Blocks A, B and C of the Qawra Development was developed. The other undivided portion of land was acquired by its affiliate Geom Holdings Limited.

4. THE PROJECTS

4.1 THE 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 public school of the village and one of the largest supermarkets in the south of Malta are also in close vicinity and directly accessible from the proposed development. Furthermore, the property is located within a few metres from the arterial road which links the Malta International Airport to the rest of the island.

The Luqa Development is split into five zones and on completion shall comprise 21 blocks having 219 underlying lock-up garages/car spaces and 237 residential units, as detailed hereunder:

Zone	Footprint (m^2)	Blocks (qty)	Garages/Car Spaces (qty)	Residential Units (qty)
A	2,182	6	49	52
B	951	3	21	23
C	2,800	6	100	81
D	980	2	17	38
E	1,545	4	32	43
	8,458	**21**	**219**	**237**

The development of Zone A is presently close to completion as finishes are *circa* 90% complete. Progress on the construction of Zone B and Zone C are at *circa* 70% and 30% respectively. Construction and finishing of the residential zones is expected to progress gradually, with completion earmarked for Q2 2021. Excavation and development works up to 31 December 2018 amounted to *circa* €2.1 million and total estimated cost for completion of all zones is *circa* €17.5 million. The outstanding development costs are being funded principally from net proceeds of the Secured Bonds, deposits received pursuant to preliminary sale agreements and from proceeds receivable on signing of sale contracts. All five zones are covered by full development permits.

Development works are carried out by GGCL pursuant to a works contract entered into between GLL and GGCL for a value of approximately €17.5 million. Payment under the said contract is being settled by the company according to agreed fixed monthly payments to be determined in agreement between GGCL and GLL. In general, such payment terms are subject to negotiation and agreement by GLL and GGCL. The afore-mentioned parties entered into a public deed in the records of Notary Dr Andre Farrugia and dated 14 February 2019 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Luqa Development in the event of non-payment by GLL until such time that the hypothecs and privileges granted in favour of the Security Trustee have been settled and repaid in full. The public deed is intended to protect the security interests of the Security Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Issuer and GLL, in its capacity as guarantor. Notwithstanding the foregoing, although GGCL shall make best efforts to procure that its sub-contractors so engaged from time to time shall waive any privileged rights which may be the available to them at law, there is no guarantee that such sub-contractors will accede to such request.

The project will include a mix of 1, 2 and 3 bedroomed residential units, measuring approximately 60m^2 to 160m^2, and are priced to target primarily first-time buyers and buy-to-let investors. The Directors sought this investment following the success of the Żebbuġ and Qawra Developments (both of which targeted similar market segments), and to further the business activities of the Group during this favourable period of strong demand for lower-priced property. Furthermore, the Directors believe that the prospects and demand for property in Luqa should remain buoyant, at least in the near term, due to the expected increase in employment opportunities in the area, including the upcoming expansion of Terminal II and Skyparks at Malta International Airport.

The units are being sold finished in a complete state, including all common areas. Each block will have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. The finishes of each apartment will include electrical, plumbing, telephone and air conditioning installations points, gypsum plastering and two coats of white paint, floor tiles and bathrooms, and external apertures in double glazed aluminium.

To date, GLL has launched Zone A and B units on the market through various real estate agents in Malta, as well as through the Group's website and other forms of social media. As at 31 December 2018, 47 units out of a total of 52 units (90%) in Zone A were subject to promise of sale agreements. As at the date of this report, 94% of Zone A and B residential units are committed (88% of units being subject to promise of sale agreements, whilst 6% of units have been contracted).

4.2 THE MELLIEĦA DEVELOPMENT

In October 2015, GML entered into a preliminary agreement for the purchase and acquisition of 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 shall be constructed and developed. The property was acquired pursuant to a deed of acquisition dated 21 October 2016 in the records of Notary Sam Abela.

The site is located in the village of Mellieħa in the northern region of Malta. It enjoys unobstructed country views of the imposing area known as Miżieb and distant sea views of the island's north western coastline. Moreover, the site is a short drive away from Malta's largest sandy beaches, Għadira Bay and Golden Bay and a short walk to the village centre of Mellieħa. Given the location of the site and the proposed level of finishes which will be implemented for each unit forming part of the Mellieħa Development, the Directors believe that the project offers a unique opportunity for owning residential property in this part of the island.

The Mellieħa Development is planned to comprise 152 luxury apartments which to be sold finished in a complete state, including all common areas and the formation of the road. The development is covered by a full development permit and is projected to encompass 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 will also have access to roof level and will enjoy full ownership thereof. The development shall also include 174 lock-up underground garages spread over 3 underground levels.

The amount of €9.5 million was on-lent by the Issuer to GML on 9 September 2016 for the purpose of constructing and developing the Mellieħa Development, which amount was utilised in full by GML. It is estimated that the outstanding total cost to complete the whole Mellieħa Development is *circa* €6.8 million and will be financed primarily from sales of residential units and garages.

Development works are carried out by GGCL pursuant to a works contract entered into on 5 August 2016 between GML and GGCL for a value of approximately €16.3 million. Payment under the said contract is being settled by the company according to agreed fixed monthly payments of *circa* €272,000. In general, such payment terms are subject to negotiation and agreement by GML and GGCL. The afore-mentioned parties entered into a public deed in the records of Notary Dr Andre Farrugia and dated 5 August 2016 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Mellieħa Development in the event of non-payment by the Guarantor until such time that the hypothecs and privileges granted in favour of the Security Trustee have been settled and repaid in full. The public deed is intended to protect the security interests of the Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Issuer and the Guarantor.

Taking into account the characteristics of the development and its location, the units are targeted principally to Maltese residents wishing to upgrade to a higher end property, those wishing to downsize from a bigger residence or those wishing to reside in a tranquil area close to the countryside and to recreational areas, but still in good distance from the urban sprawl characterising other parts of the island. Moreover, these apartments may also be appealing to foreigners seeking to relocate to Malta and investors wishing to maximise rental income potential.

To date, in terms of development, the first five blocks (Blocks F, G, H, I & J) of the Mellieħa Development are fully developed. Blocks B, C, D and E have been constructed, whilst finishing works are *circa* 50% complete. The last remaining block (Block A) is in the final stages of construction. The whole project is expected to be completed by Q1 2020.

As at 31 December 2018, GML had entered into sale contracts for 43 residential units, some comprising garages/car spaces, for an aggregate value of €16.2 million units, whilst 37 residential units (including garages/car spaces in some cases) amounting to *circa* €12.5 million are subject to promise of sale agreements. As at the date of this report, 64 residential units have been sold and contracted and a further 25 units are subject to promise of sale agreements.

4.3 OTHER MAJOR PROJECTS

4.3.1 The Qawra Development

The Qawra Development is a joint venture between GDL and GHL, both subsidiaries of the Issuer. The Project is constructed over a site consisting of two divided portions of land, one measuring approximately 2,280m^2 (inclusive of the road formation) belonging to GHL and another portion of land measuring approximately 1,228m^2 belonging to GDL, and both situated in Triq il-Porzjunkola corner with Triq it-Tamar which is situated just off the Qawra seafront. Both portions of land were purchased by GDL and GHL by two separate contracts dated 26 March 2015 published by Notary Dr John Spiteri.

The project is fully developed and includes a total of 151 residential units and 180 garages/car spaces. As at 31 December 2018, all residential units have been sold, except for 8 residential units valued at €1.1 million which are subject to promise of sale agreements.

4.3.2 The Għargħur Development

In February 2016, GGL acquired the legal title of a portion of land in Għargħur, which includes its sub-terrain and airspace and measures *circa* 2,585m^2, accessible from Triq il-Kbira and Triq Caravaggio. The project is complete and comprises 34 residential units spread over 5 levels, 38 (1-car) lock-up garages and 3 (2-car) lock-up garages. As at 31 December 2018, all 34 residential units have been sold, except for 5 units valued at €2.1 million which are subject to promise of sale agreements and expected to be signed in 2019.

4.4 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.

For this purpose, the Security Trustee and the Issuer have agreed that a fixed amount shall be set for each unit, and it is only upon receipt by the Security Trustee of such an amount that the Security Trustee shall be bound to release a particular unit from the effects of any security interests encumbering the Hypothecated Property. Accordingly, the security created for the interest of

Bondholders shall only be reduced against a cash payment made by the Issuer in the Reserve Account to be held by the Trustee for the benefit of Bondholders. The Security Trustee shall hold the funds received in a segregated bank account with a credit institution in Malta and shall hold such funds for the benefit of Bondholders with a view to meeting the redemption of the Bonds on maturity.

Any shortfall in the amount receivable by the Security Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

In accordance with the Trust Deed, the Security Trustee is authorised to release to the Issuer any funds held in and to the credit of the Reserve Account which are in excess of the aggregate value of Bonds outstanding, provided that there remain sufficient units, covered by the security interests, to be sold to cover the interest still to become payable on the Bonds until the redemption date.

The Trustee shall hold such monies standing to the credit of the Reserve Account to ensure their preservation and the Security Trustee may from time to time, but shall not be obliged to, through the engagement of a licensed investment advisor, invest such monies in such a manner and in such instruments as are herein provided, namely:

(i) any amount out of the reserve account may be held on deposit with a bank licensed as a credit institution in Malta or any Member state of the European Union, provided that not more than 50% of any amount standing to the credit of the reserve account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €25 million; and/or

(ii) re-purchase of the Bonds for cancellation; and/or

(iii) any amount out of the reserve account may be invested in debt securities issued by or guaranteed by the Government of malta or other member state of the European Union or the EEA; and/or

(iv) amounts not exceeding €10 million may be invested in debt securities admitted to listing and trading on a regulated market in the European Union, provided that not more than €2 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the reserve account to any currency exchange risk; and/or

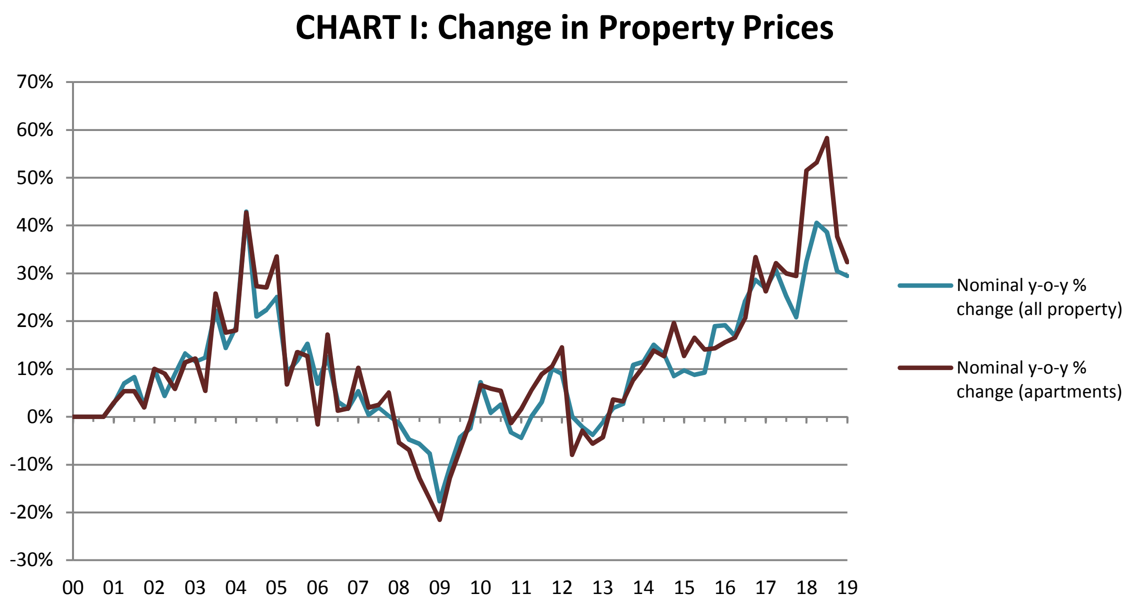
(v) an amount not exceeding €2 million may be advanced to any member of the Group, under terms and conditions which are at arm's length, provided that the reserve accounts remains in credit by at least another €2 million following such advance.

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, subject to the immediately preceding paragraph, be retained for the purpose of redeeming the Bonds on maturity. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors 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 Bonds on maturity.

5. TREND INFORMATION AND BUSINESS STRATEGY

5.1 PROPERTY MARKET IN MALTA

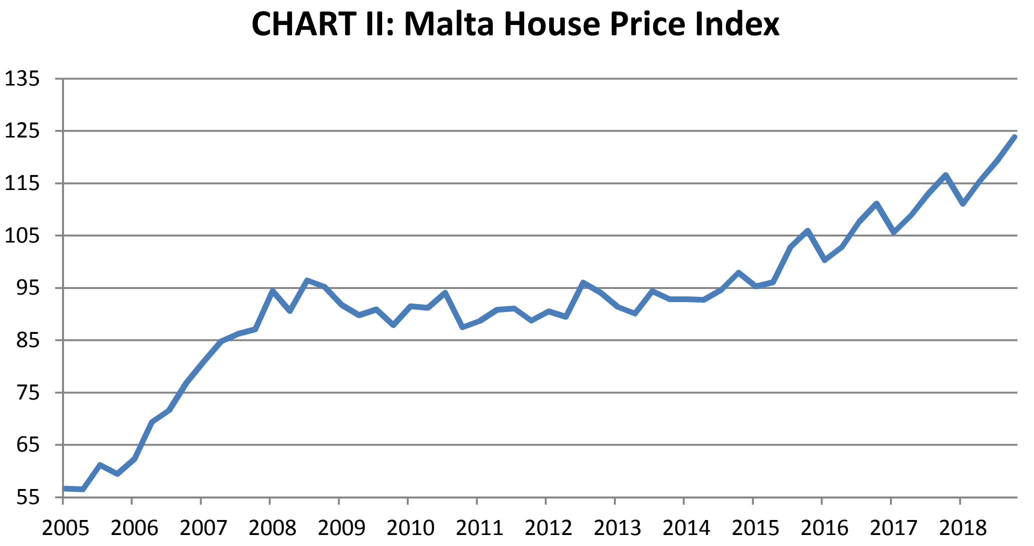
Property prices of residential property in Malta increased by 10.8% in the 12 months to the end of March 2019 compared to a year earlier (see Chart I below), mainly due to a 15.3% increase in prices of terraced houses. This positive trend has been witnessed for just less than six years - during which property prices registered an increase of 77.9% (Q2 2013 to Q1 2019) – primarily due to a strong economy and a robust labour market (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).[1]



Source: Central Bank of Malta

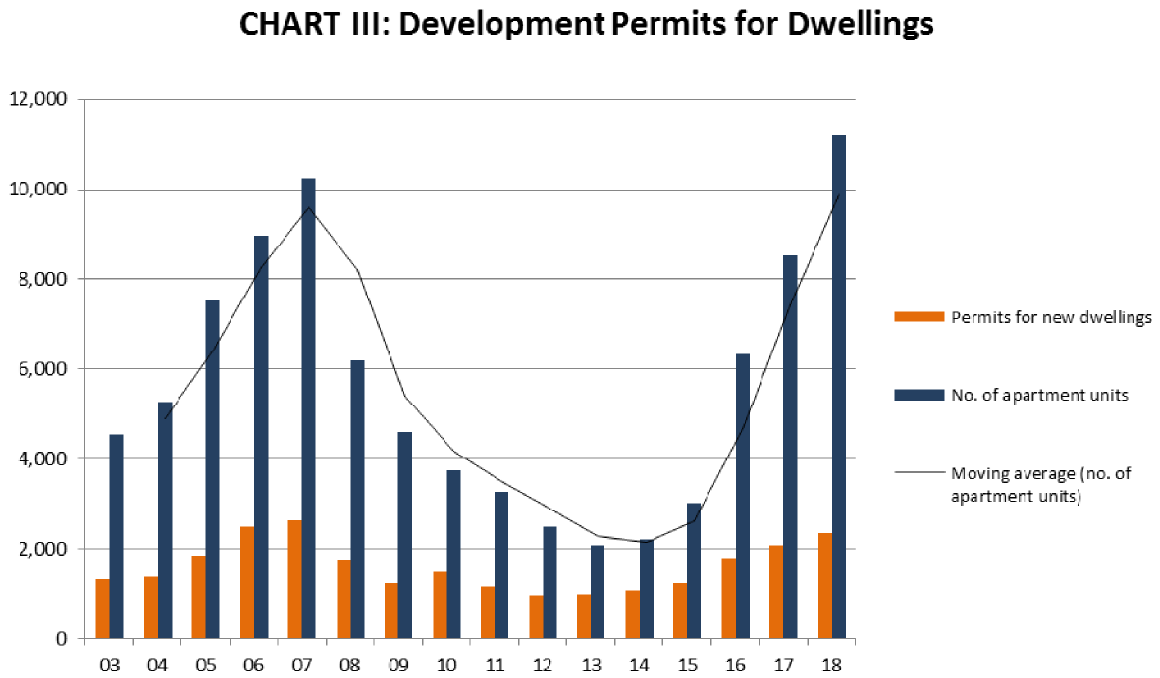
Eurostat's House Price Index for Malta – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q4 2018 and shows that said prices increased by 6.2% compared with the same quarter of 2017 (vide Charts II below).

[1] Central Bank of Malta, Property Price Index



Source: Eurostat

The percentage change of total permits peaked in 2016 at 90.2%, and thereafter increased by 30.8% and 31.2% in 2017 and 2018 respectively. During 2018, the number of permits issued by the Planning Authority increased to 12,855 from 9,822 recorded during 2017, an increase of 3,033 permits over the prior year. The increase in permits issued in 2018 was mostly driven by the largest residential category, namely apartments, which accounted for 87.0% of total permits granted.



Source: Planning Authority

The gross value added (GVA) from the construction industry rose by 10.3% in 2018 (in nominal terms), from €361.7 million in 2017 to €398.8 million in 2018. Over the past 5 years (2014-2018), GVA from construction increased at a CAGR of 7.3%.[2]

5.2 ECONOMIC PERFORMANCE[3]

Malta's economy performed better than expected in 2018, with real GDP growth reaching the high rate of 6.6%. Economic growth accelerated in the second half of the year, driven by record-high levels of private consumption growth, which increased by 7.3% compared to the previous year. In particular, robust employment growth coupled with modest price pressures in the household consumption basket contributed to boost households' real disposable income. Going forward, private consumption growth is expected to slow down but remain well above its historical average.

Despite the drop in investment in real terms in 2018, which was mostly due to base effects, investment in recent years has stabilised at relatively high levels, with an investment-to-GDP ratio above 20%. In 2019, investment is set to rebound and pick up further in 2020. In particular, non-residential construction is expected to benefit from large investment projects planned in the health, transport and tourism sectors.

The import content of Malta's exports has been steadily declining in the recent past, reflecting the structural shift toward the services sector. As investment rises, import growth is likewise expected to increase, turning the growth contribution of net exports from positive to slightly negative in 2019. Export growth is expected to remain above 2% as a result of the good performance of export-oriented services such as tourism and remote gaming. The current account surplus is set to narrow but to remain among the highest in the EU, underpinned by the large surplus in the services account.

Real GDP growth is expected to remain solid but to gradually ease over the forecast horizon, to an annual rate of 5.5% in 2019 and 4.8% in 2020. Risks to the macroeconomic outlook appear broadly balanced. In particular, global trade tensions and rising uncertainties in some of Malta's trading partners could negatively affect the short-term growth profile. Important upside risks include the possibility of stronger-than-expected private consumption, driven by employment creation and accumulated savings, and a further decline in the import of services.

With the activity rate in Malta quickly approaching the EU average, employment growth is expected to moderate slightly as economic growth slows down, while the unemployment rate is projected to remain below 4% over the forecast horizon. The significant inflow of foreign workers has helped keep wage growth contained; unit labour cost growth is set to rise and reach 1.2% in 2020 as wage pressures gradually materialise.

The inflation profile has been influenced by price increases in the services sector, in particular tourism-related expenditure like accommodation services. Inflation is set to increase only marginally over the forecast horizon, reaching 1.9% in 2020.

[2] Malta National Statistics Office (NSO)
[3] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

5.3 STRATEGY

The strong response from investors for the Group's latest projects - Qawra Development, Għargħur Development, Mellieħa Development and the Luqa Development - has shown that there is active demand for real estate in Malta, which is supporting a steady increase in prices notwithstanding the rise in the number of developments undertaken in Malta in the last few years and others which are due to commence in the near term. As such, the Directors are of the view that the property market in Malta should remain buoyant provided the general economy continues to register a robust annual growth trajectory.

In the immediate term, Gap Group will be primarily focused on completing the Mellieħa Development and the Luqa Development, and will also be active in marketing these properties on offer.

6. COLLATERAL IN RELATION TO THE ORIGINAL BONDS AND FINANCIAL INFORMATION ABOUT THE ORIGINAL GUARANTORS

6.1 COLLATERAL IN RELATION TO THE ORIGINAL BONDS

Pursuant to the issue of Secured Bonds in March 2019, the outstanding nominal value of Original Bonds was reduced from €40,000,000 to €19,931,000. Accordingly, the Security Trustee has cancelled in their entirety the special hypothecs over Blocks A, B and C forming part of the Qawra Development and Żebbuġ Development and the general hypothecs over their respective owning companies. As for the Mellieħa Development, the special hypothec over Blocks B, C, D and E has been cancelled, but the charge over Block A has remained in force. Furthermore, the Security Trustee has retained a first ranking general hypothec over GML.

The outstanding Original Bonds amounting to €19,931,000 are therefore secured as follows:

- The reserve cash account held by the Security Trustee in favour of holders of the Original Bonds has a balance of *circa* €18,000,000 to its credit;
- A first special hypothec over Block A of the Mellieħa Development, which as at March 2019 was valued by an independent architect at €3,700,000; and
- A first ranking general hypothec over GML's assets present and future for the amount of €40,000,000.

6.2 FINANCIAL INFORMATION ABOUT THE ORIGINAL GUARANTORS

Set out below is the income statement extracted from the audited financial statements of each of the Original Guarantors for the financial years indicated hereunder:

6.2.1 Gap Properties Limited ("GPL")

Gap Properties Limited **Income Statement** **for the year ended 31 December**	**2016** **Audited** **(€'000)**	**2017** **Audited** **(€'000)**	**2018** **Audited** **(€'000)**
Revenue	11,772	789	345
Cost of sales	(6,427)	(297)	(75)
Administrative expenses	(584)	(61)	(18)
EBITDA	**4,761**	**432**	**252**
Depreciation	(4)		
Net finance costs	(1,059)	(282)	(68)
Profit before tax	**3,698**	**149**	**184**
Taxation	(917)	(62)	(27)
Profit for the year	**2,781**	**88**	**157**
Other comprehensive income			
Movement in fair value of financial assets	196		
Total comprehensive income for the year	**2,977**	**88**	**157**

The Żebbuġ Development was completed in 2017 and all the residential units were contracted by end of Q2 2017. During 2018, GPL completed the sale of the retail shop and 6 garages. The remaining stock comprises 16 garages, of which, 10 garages are subject to promise of sale agreements.

6.2.2 Geom Developments Limited ("GDL")

Geom Developments Limited **Income Statement** **for the year ended 31 December**	**2016** **Audited** **(€'000)**	**2017** **Audited** **(€'000)**	**2018** **Audited** **(€'000)**
Revenue	72	6,322	1,235
Cost of sales	(54)	(3,730)	(728)
Administrative expenses	(13)	(301)	(27)
EBITDA	**5**	**2,292**	**480**
Net finance costs	-	(448)	(30)
Profit/(loss) before tax	**5**	**1,844**	**450**
Taxation	(6)	(490)	(108)
Profit/(loss) for the year	**(1)**	**1,354**	**342**
Other comprehensive income			
Movement in fair value of financial assets	(160)	107	112
Total comprehensive income for the year	**(161)**	**1,461**	**454**

GDL was involved in the development of Blocks A, B and C forming part of the Qawra Development, whilst Block D, E, F and G were developed by GHL. The entire Qawra Development was completed in 2017. During 2018, GDL completed the sale of 8 apartments and 21 garages. The remaining stock comprises 5 apartments all of which are subject to preliminary agreements.

6.2.3 Gap Mellieħa (I) Limited ("GML")

Financial information has been included in section 7.1 below.

6.2.4 Gap Għargħur Limited (“GGL”)

Gap Gharghur Limited Income Statement for the year 31 December	2017 Audited (€’000)	2018 Audited (€’000)
Revenue	-	8,558
Cost of sales	-	(5,564)
Administrative expenses	(3)	(308)
EBITDA	**(3)**	**2,686**
Net finance costs	-	(598)
Loss before tax	**(3)**	**2,088**
Taxation	-	(671)
Total comprehensive expense for the period	**(3)**	**1,417**

During FY2018, the entire development was fully completed, and 29 out of 34 residential units were contracted. The remaining units are all committed by way of preliminary sale agreements, which are expected to be signed in 2019.

PART 2 – GAP GROUP PERFORMANCE REVIEW

7. FINANCIAL INFORMATION RELATING TO THE GUARANTORS

7.1 GAP MELLIEĦA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2016 to 31 December 2018.

Gap Mellieha (I) Limited **Income Statement** **for the year ended 31 December**	**2016*** **Audited** **(€'000)**	**2017** **Audited** **(€'000)**	**2018** **Audited** **(€'000)**
Revenue	-	-	16,193
Cost of sales	-	-	(10,390)
Administrative expenses	(4)	(4)	(1,012)
EBITDA	**(4)**	**(4)**	**4,791**
Net finance costs	-	2	(1,056)
Profit/(loss) before tax	**(4)**	**(2)**	**3,735**
Taxation	-	-	(1,256)
Total comprehensive income for the period/year	**(4)**	**(2)**	**2,479**

* Income Statement for the period 26 August 2015 to 31 December 2016

Gap Mellieha (I) Limited **Cash Flow Statement** **for the year ended 31 December**	**2016*** **Audited** **(€'000)**	**2017** **Audited** **(€'000)**	**2018** **Audited** **(€'000)**
Net cash from operating activities	(11,192)	(1,862)	(3,419)
Net cash from investing activities	-	99	106
Net cash from financing activities	11,440	1,528	3,800
Net movement in cash and cash equivalents	**248**	**(234)**	**487**
Cash and cash equivalents at beginning of period/year	-	248	14
Cash and cash equivalents at end of period/year	**248**	**14**	**501**

* Income Statement for the period 26 August 2015 to 31 December 2016

Gap Mellieha (I) Limited Balance Sheet as at	31 Dec'16 Audited (€'000)	31 Dec'17 Audited (€'000)	31 Dec'18 Audited (€'000)
ASSETS			
Non-current assets			
Loans and other receivables	2,303	2,303	2,404
	2,303	2,303	2,404
Current assets			
Inventory - development project	12,268	16,419	14,503
Trade and other receivables	19	23	12,941
Cash and cash equivalents	248	14	501
	12,535	16,455	27,945
Total assets	**14,838**	**18,758**	**30,349**
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	(4)	(6)	2,473
	(3)	**(5)**	**2,474**
LIABILITIES			
Current liabilities			
Other financial liabilities	13,742	15,270	19,170
Other current liabilities	1,099	3,493	8,705
	14,841	**18,763**	**27,875**
Total equity and liabilities	**14,838**	**18,758**	**30,349**

In FP2016, GML acquired a plot of land measuring *circa* 5,100m^2 at Ta' Masrija in Mellieħa, for the development of the Mellieħa Development. During FP2016, the site was fully excavated and construction commenced on the first two blocks (Blocks I & J). As at 31 December 2017, the cost of land and development costs amounted to €16.4 million (2016: €12.3 million).

During FP2016, the amount of €2.3 million was advanced to GLL to acquire the site earmarked for the Luqa Development, which loan remained unchanged in the subsequent financial years. The said loan bears interest at 4.5% annually and is repayable by 2021.

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units, representing 28% of the total residential units to be developed. Total comprehensive income for the year amounted to €2.5 million. As at year end, a further 37 resdiential units were subject to preliminary sale agreements.

The asset side of the balance sheet as at 31 December 2018 includes inventory (work-in-progress on development projects) amounting to €14.5 million (FY2017: €16.4 million), whilst liabilities mainly comprise capital creditors (primarily GGCL) of €19.1 million (FY2017: €15.3 million) and advance deposits amounting to €2.6 million (FY2017: €1.3 million).

7.2 GAP LUQA LIMITED

The historical financial information about GLL is included in the audited financial statements for the financial years ended 31 December 2016 to 2018.

Gap Luqa Limited (formerly Qawra Investments Limited)
Income Statement
for the year ended

	2016 Audited (€'000)	2017 Audited (€'000)	2018 Audited (€'000)
Revenue	-	3,571	2,002
Cost of sales	-	(2,642)	(1,185)
Administrative expenses	(6)	(76)	(33)
EBITDA	**(6)**	**853**	**784**
Net finance costs	-	-	-
Profit/(loss) before tax	**(6)**	**853**	**784**
Taxation	-	(214)	(145)
Total comprehensive income for the year	**(6)**	**639**	**639**

Gap Luqa Limited (formerly Qawra Investments Limited)
Cash Flow Statement
for the year ended

	2016 Audited (€'000)	2017 Audited (€'000)	2018 Audited (€'000)
Net cash from operating activities	(8,408)	(2,162)	(6,690)
Net cash from investing activities	-	-	1
Net cash from financing activities	8,422	2,339	6,544
Net movement in cash and cash equivalents	**14**	**177**	**(145)**
Cash and cash equivalents at beginning of year	6	20	197
Cash and cash equivalents at end of year	**20**	**197**	**52**

Gap Luqa Limited (formerly Qawra Investments Limited)			
Balance Sheet			
As at	**31 Dec'16**	**31 Dec'17**	**31 Dec'18**
	Audited	**Audited**	**Audited**
	(€'000)	**(€'000)**	**(€'000)**
ASSETS			
Current assets			
Inventory - development project	3,736	9,555	11,260
Trade and other receivables	3,920	1,651	9,399
Cash and cash equivalents	22	197	52
	7,678	11,403	20,711
Total assets	**7,678**	**11,403**	**20,711**
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	100	740	1,378
	101	**741**	**1,379**
LIABILITIES			
Non-current liabilities			
Bank loans and other financial liabilities	3,338	8,504	7,522
	3,338	8,504	7,522
Current liabilities			
Bank loans and other financial liabilities	3,903	1,172	8,684
Other current liabilities	336	986	3,126
	4,239	2,158	11,810
	7,577	**10,662**	**19,332**
Total equity and liabilities	**7,678**	**11,403**	**20,711**

As at 31 December 2016, GLL held a development property in Lija and the site related to the Luqa Development. No material income was generated in FY2016.

Revenue in FY2017 amounted to €3.6 million, which was generated from the sale of *circa* 70% of units from phase A of the Lija project. The remaining units of Phase A, together with all units in Phase B, were subject to promise of sale agreements. EBITDA in FY2017 amounted to €0.9 million and total comprehensive income amounted to €0.6 million, the difference of which represented tax charge for the year.

During FY2018, revenue amounted to €2.0 million and primarily comprised further sales of units from the Lija project and the disposal of a plot within the Luqa Development. GLL registered total comprehensive income for the financial year of €0.6 million.

Total assets as at 31 December 2018 amounted to €20.7 million and principally included inventory (work-in-progress on development project) of €11.3 million and related party loans receivable of €9.4 million. Liabilities mainly comprised related party loans amounting to €11.1 million, bank loan of €5.1 million, advance deposits amounting to €0.9 million and other creditors of €2.2 million.

8. FINANCIAL INFORMATION RELATING TO THE ISSUER

The following financial information is extracted from the audited consolidated financial statements of the Issuer for the period 1 June 2016 (date of incorporation) to 31 December 2016 and the years ended 31 December 2017 and 31 December 2018. The projected consolidated financial information for the year ending 31 December 2019 of Gap Group 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 Income Statement	FP2016 Actual (€'000)	FY2017 Actual (€'000)	FY2018 Actual (€'000)	FY2019 Forecast (€'000)
Revenue	14,804	14,982	30,444	41,162
Cost of sales	(10,595)	(11,154)	(21,747)	(29,200)
Administrative expenses	(748)	(935)	(1,701)	(280)
EBITDA	**3,461**	**2,893**	**6,996**	**11,682**
Depreciation	(4)	-	-	-
Net finance costs	(1,393)	(1,111)	(1,575)	(2,000)
Profit/(loss) before tax	**2,064**	**1,782**	**5,421**	**9,682**
Taxation	(1,161)	(1,197)	(2,439)	(3,293)
Profit/(loss) for the year	**903**	**585**	**2,982**	**6,389**
Other comprehensive income				
Movement in fair value of financial assets	101	107	191	-
Total comprehensive income for the year	**1,004**	**692**	**3,173**	**6,389**

GAP Group p.l.c. Consolidated Balance Sheet	31 Dec'16 Actual (€'000)	31 Dec'17 Actual (€'000)	31 Dec'18 Actual (€'000)	31 Dec'19 Forecast (€'000)
ASSETS				
Non-current assets				
Property, plant and equipment	3	10	30	30
Investments	10,600	6,072	2,145	112
Loans and other receivables	6,688	10,249	11,583	11,583
Sinking fund	311	4,813	3,975	22,729
	17,602	21,144	17,733	34,454
Current assets				
Inventory - development project	34,213	33,701	22,786	36,519
Trade and other receivables	1,548	858	387	683
Cash and cash equivalents	3,722	1,203	624	10,303
Sinking fund	-	-	13,707	-
	39,483	35,762	37,504	47,505
Total assets	**57,085**	**56,906**	**55,237**	**81,959**
EQUITY				
Capital and reserves				
Called up share capital	2,500	2,500	2,500	2,500
Other capital	2,601	2,708	2,900	2,900
Retained earnings	903	1,488	4,469	10,856
	6,004	**6,696**	**9,869**	**16,256**
LIABILITIES				
Non-current liabilities				
Other financial liabilities	2,503	5	5	-
Debt securities	39,310	39,362	39,473	59,931
	41,813	39,367	39,478	59,931
Current liabilities				
Bank overdrafts	21	22	7	-
Borrowings and other financial liabilities	-	3	111	-
Other current liabilities	9,247	10,818	5,772	5,772
	9,268	10,843	5,890	5,772
	51,081	**50,210**	**45,368**	**65,703**
Total equity and liabilities	**57,085**	**56,906**	**55,237**	**81,959**

GAP Group p.l.c. **Consolidated Cash Flow Statement**	**FP2016** **Actual** **(€'000)**	**FY2017** **Actual** **(€'000)**	**FY2018** **Actual** **(€'000)**	**FY2019** **Forecast** **(€'000)**
Net cash from operating activities	(25,559)	3,250	7,489	(5,808)
Net cash from investing activities	(10,554)	569	6,939	200
Net cash from financing activities	39,814	(6,339)	(1,285)	20,410
Net movement in cash and cash equivalents	**3,701**	**(2,520)**	**13,143**	**14,802**
Cash and cash equivalents at beginning of year	-	3,701	1,181	14,324
Cash and cash equivalents at end of year	**3,701**	**1,181**	**14,324**	**29,126**

Key Accounting Ratios	**FP2016** **Actual**	**FY2017** **Actual**	**FY2018** **Actual**	**FY2019** **Forecast**
Operating profit margin *(EBITDA/revenue)*	23%	19%	23%	28%
Interest cover (times) *(EBITDA/net finance cost)*	2.48	2.60	4.44	5.30
Net profit margin *(Profit(loss) after tax/revenue)*	6%	4%	10%	16%
Earnings per share (€) *(Profit after tax/number of shares)*	0.36	0.23	1.19	2.56
Return on equity *(Profit after tax/shareholders' equity)*	15%	9%	30%	39%
Return on capital employed *(EBITDA/total assets less current liabilities)*	7%	6%	14%	15%
Return on assets *(Profit after tax/total assets)*	2%	1%	5%	8%
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	82%	80%	66%	62%

During the financial period 1 June 2016 to 31 December 2016, Gap Group generated revenue amounting to €14.8 million, primarily from sales of the remaining units at Żebbuġ and Manikata. EBITDA for the period amounted to €3.5 million and after accounting for net finance costs of €1.4 million and taxation of €1.2 million, the Group reported a profit after tax of €0.9 million. In the period under review, Gap Group registered total comprehensive income of €1.0 million after accounting for a gain of €0.1 million in fair value of financial assets.

In October 2016, the Issuer raised €40 million through the issuance of secured bonds to the public. The amount of €25,759,748 out of net bond issue proceeds were utilised in terms of the prospectus dated 16 September 2016 as follows:

- The amount of €9,649,563 was used to finance the acquisition of the site in Mellieħa and related contract expenses;
- The aggregate amount of €13,110,185 was applied in part settlement and discharge of the acquisition consideration from Gap Group Investments (III) Limited of the entire share capital of GDL and all the ordinary 'A' shares of GHL; and
- The amount of €3,000,000 was used to refinance a bank loan which was made available by Mediterranean Corporate Bank Limited to GGF.

The remaining balance of net bond issue proceeds amounting to €13,525,119 is being applied towards the costs of construction and development of the Group's projects.

The balance sheet as at 31 December 2016 reflects the re-organisation of the Gap Group undertaken during the year, whereby the Issuer acquired the issued share capital of GML, GGL, GDL, GHL. As a result of such acquisitions, the Issuer indirectly obtained ownership of the Mellieħa Development, the Għargħur Development, the Żebbuġ Development and the Qawra Development.

Total assets of Gap Group as at 31 December 2016 amounted to €57.1 million and primarily included stock representing real estate property held for resale (€34.2 million), and cash and liquid assets amounting to €14.3 million. Furthermore, loans and other receivables totalling €6.7 million includes an amount of €2.3 million which was advanced to GLL (then being a related party) for the purpose to acquire the site on which the Luqa Development is being constructed.

Other than equity (€6.0 million), Gap Group is financed through debt securities (€39.3 million) and cumulative preference shares held by a third party in GHL amounting to €2.5 million. Other current liabilities comprise an amount of €2.8 million being deposits received from customers pursuant to promise of sale agreements.

During FY2017, Gap Group generated revenue amounting to €15.0 million, an increase of €0.2 million (+1.2%) compared to FP2016, primarily from sales of the remaining units at Żebbuġ and the Qawra Developments. EBITDA for the period amounted to €2.9 million, a decrease of €0.6 million (-16.4%) compared to FP2016. After accounting for net finance costs of €1.1 million and taxation of €1.2 million, the Group reported a profit after tax of €0.6 million. In FY2017, Gap Group registered total comprehensive income of €0.7 million after accounting for a gain of €0.1 million in fair value of financial assets.

Total assets of Gap Group as at 31 December 2017 amounted to €56.9 million and primarily included stock representing real estate property held for resale (€33.7 million), and cash and liquid assets amounting to €7.3 million. Furthermore, loans and other receivables totalling €10.2 million includes an amount of €2.3 million which was advanced to GLL (then being a related party) for the purpose to acquire a property the Luqa site.

Other than equity (€6.7 million), Gap Group is financed through debt securities (€39.4 million) with the cumulative preference shares held GHL amounting to €2.5 million being paid during FY2017.

In FY2018, the Group generated revenues of €30.4 million as compared to €15.0 million a year earlier, mainly from sales contracts for units in the Mellieħa Development as to €16.2 million and the remaining amount principally from the Qawra Development and Għargħur Development. EBITDA increased from €2.9 million in FY2017 to €7.0 million, while comprehensive income amounted to €3.2 million in FY2018 (FY2017: €0.7 million).

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieħa Development. Liquid assets (including sinking fund and cash) amounted to €20.4 million (FY2017: €12.1 million). Other assets mainly comprise loans due from related parties of €11.6 million (FY2017: €10.2 million). As to liabilities, the Group had outstanding €40 million in 4.25% secured bonds due 2023, advance deposits amounting to €3.3 million and capital creditor balances of €1.7 million.

During the projected financial year (FY2019), Gap Group will principally be involved in the construction and development of the following projects:

- Mellieħa Development – the whole project is expected to be completed in Q1 FY2020; and
- Luqa Development – Zone A and Zone B are projected to be completed during 2019.

In the afore-mentioned financial year, the Group is projected to generate aggregate revenue of €41.2 million, an increase of €10.7 million when compared to the prior year. Revenue is expected to be split as follows: €25.1 million from the Mellieħa Development; €13.0 million for the Luqa Development; and the remaining balance of €3.1 million from other projects. Due to the growth in revenue, EBITDA is projected to increase from €7.0 million in FY2018 to €11.7 million in FY2019. Overall, GAP Group is projecting to register comprehensive income for FY2019 of €6.4 million (FY2018: €3.2 million).

The Group's balance sheet as at 31 December 2019 is projected to comprise total assets amounting to €82.0 million, made up of inventory (works-in-progress on property developments) of €36.5 million, related party balance of €11.6 million and cash balances amounting to €33.0 million. Liabilities are projected to principally include debt securities of €59.9 million.

Reserve Account

In terms of the 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	**2016 Actual €'000**	**2017 Actual €'000**	**2018 Actual €'000**	**2019 Forecast €'000**
4.25% Secured Bonds 2023	311	4,813	17,682	18,000
3.65% Secured Bonds 2022				4,729
	311	**4,813**	**17,682**	**22,729**

Variance Analysis

GAP Group p.l.c. for the year ended 31 December 2018	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Revenue	30,444	30,661	(217)
Cost of sales	(21,747)	(21,483)	(264)
Administrative expenses	(1,701)	(590)	(1,111)
EBITDA	**6,996**	**8,588**	**(1,592)**
Net finance costs	(1,575)	(844)	(731)
Profit/(loss) before tax	**5,421**	**7,744**	**(2,323)**
Taxation	(2,439)	(2,489)	50
Profit for the year	**2,982**	**5,255**	**(2,273)**
Other comprehensive income			
Movement in fair value of financial assets	191	53	138
Total comprehensive income for the year	**3,173**	**5,308**	**(2,135)**

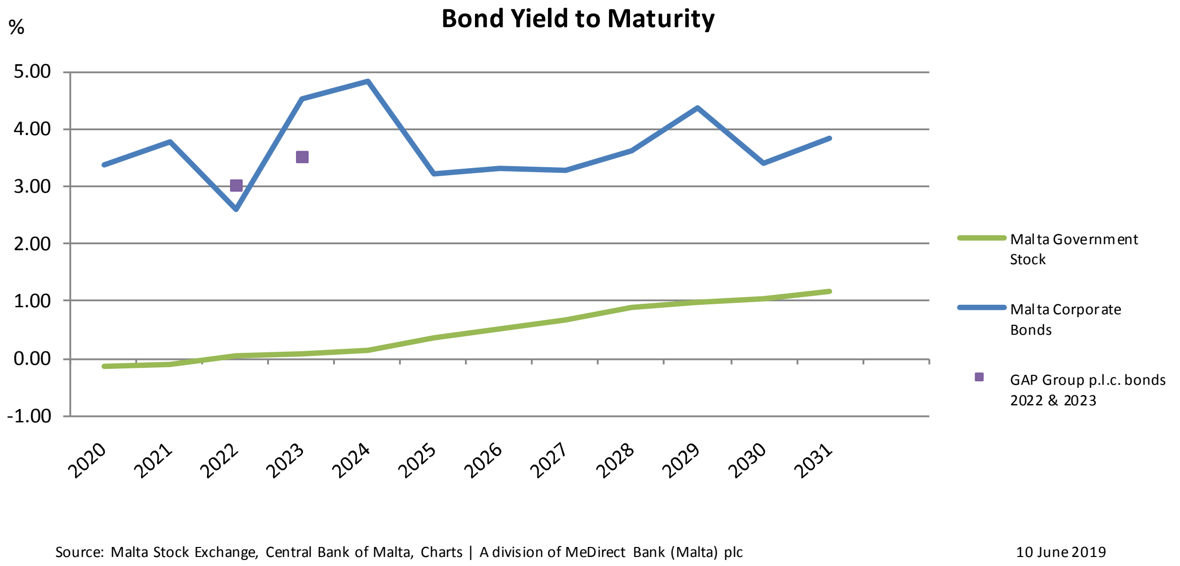
As presented in the above table, actual revenue was lower than forecast by €0.2 million, mainly due to a number of sale contracts being concluded in Q1 2019 instead of Q4 2018 (as initially projected). In addition, cost of sales, administrative expenses and net finance costs were higher than projected by €2.1 million, which resulted in an adverse variance in total comprehensive income of €2.1 million.

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 (%)**
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.36	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.60	1.23	80,052	25,712	48.95
3.65% GAP Group plc Secured 2022	**40,000,000**	**2.99**	**4.45**	**55,237**	**9,869**	**65.99**
4.25% Gap Group plc Secured € 2023	**19,931,000**	**3.48**	**4.45**	**55,237**	**9,869**	**65.99**
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.63	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.32	3.73	202,425	115,827	35.12
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.44	455,113	86,390	73.98
						10 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc



To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

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.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
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.
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.
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.
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.