Financial Analysis Summary
6 December 2021

ISSUER

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

M Z I N V E S T M E N T S E R V I C E S

MZ INVESTMENT SERVICES

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

6 December 2021

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 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**"); Gap QM Limited being the guarantor in relation to the issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225) (the "**2020 Bond Guarantor**"); Gap Mellieħa (I) Limited and Gap Luqa Limited being the guarantors in relation to the issue of 3.65% secured bonds 2022 (ISIN: MT0001231217) (the "**2019 Bond Guarantors**"); and Gap Mellieħa (I) Limited being the guarantor in relation to the issue of 4.25% secured Bonds 2023 (ISIN: MT0001231209) (the "**2016 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 2018 to 31 December 2020 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 (FY2018 to FY2020) and Gap Luqa Limited (FY2018 to FY2020).
(c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2021 and 31 December 2022, the projected financial information relating to Gap QM Limited for the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022, and the projected financial information relating to Gap Qawra Limited for the period 20 October 2021 to 31 December 2022 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
Senior Financial Advisor

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

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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 €19,247,300;
2019 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. The outstanding nominal value of the said bonds as at the date of this report amounts to €29,218,400;
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) to be issued by the Issuer pursuant to a prospectus dated 6 December 2021;
2016 Bond Guarantor	GML, being the guarantor in relation to the issue of the 2016 Bonds;
2019 Bond Guarantors	each of GML and GLL, being the guarantors in relation to the issue of the 2019 Bonds;
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;
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, 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);
GQL	Gap Qawra Limited (C 100153);
GQM	Gap QM Limited (C 96686);
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) Block B to Block E of the Mellieħa Development and Zone A to Zone E of the Luqa Development are secured in favour of the security trustee for the benefit of the holders of the 2019 Bonds; (iii) 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; (iv) 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;

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;
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 bedroom 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 174 lock-up garages, spread over 10 blocks with a variety of one, two and three bedroom 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 94 residential units, 4 commercial outlets and 109 car spaces, spread over 10 blocks with a variety of two and three bedroomed residential units over the Mosta Site;
Mosta Site	the site having a facade directly on Triq id-Difża Ċivili and on Triq tal-Qares in Mosta, measuring approximately 5,895m^2;
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 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;
Qawra II Development	the construction, development and finishing of a total of 80 residential units, comprising a mix of two and four bedroomed units, and 90 lock-up garages spread over 6 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 3 blocks over Portion A, over the Qawra Site III;
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).

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 are ongoing or are completed with units available for sale on the market: (i) the Mellieħa Development; (ii) the Luqa Development; (iii) the Birkirkara Development; (iv) the Marsascala Development; (v) the San Pawl tat-Tarġa Development; (vi) the Qawra II Development; and (vii) the Mosta 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.

Through GQL, the Group is in the process of acquiring the Qawra Site III and subsequently developing the Qawra III Development.

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 debt securities admitted to the Official List are listed below:

(i) In September 2016, the Issuer issued the 2016 Bonds to principally finance the Mellieħa Development, the Għargħur Development and the Qawra I Development.
(ii) In March 2019, the Issuer issued the 2019 Bonds to principally finance the Luqa Development. The 2019 Bonds entailed an exchange offer of the 2016 Bonds for the 2019 Bonds. By virtue of the issuance of the 2019 Bonds, the Issuer reduced the outstanding nominal amount of the 2016 Bonds from €40,000,000 to €19,931,000.
(iii) In November 2020, the Issuer issued the 2020 Bonds to principally finance the Qawra II Development and the Mosta Development.

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 2016 BOND GUARANTOR, 2019 BOND GUARANTORS, 2020 BOND GUARANTOR AND 2021 BOND GUARANTORS

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

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

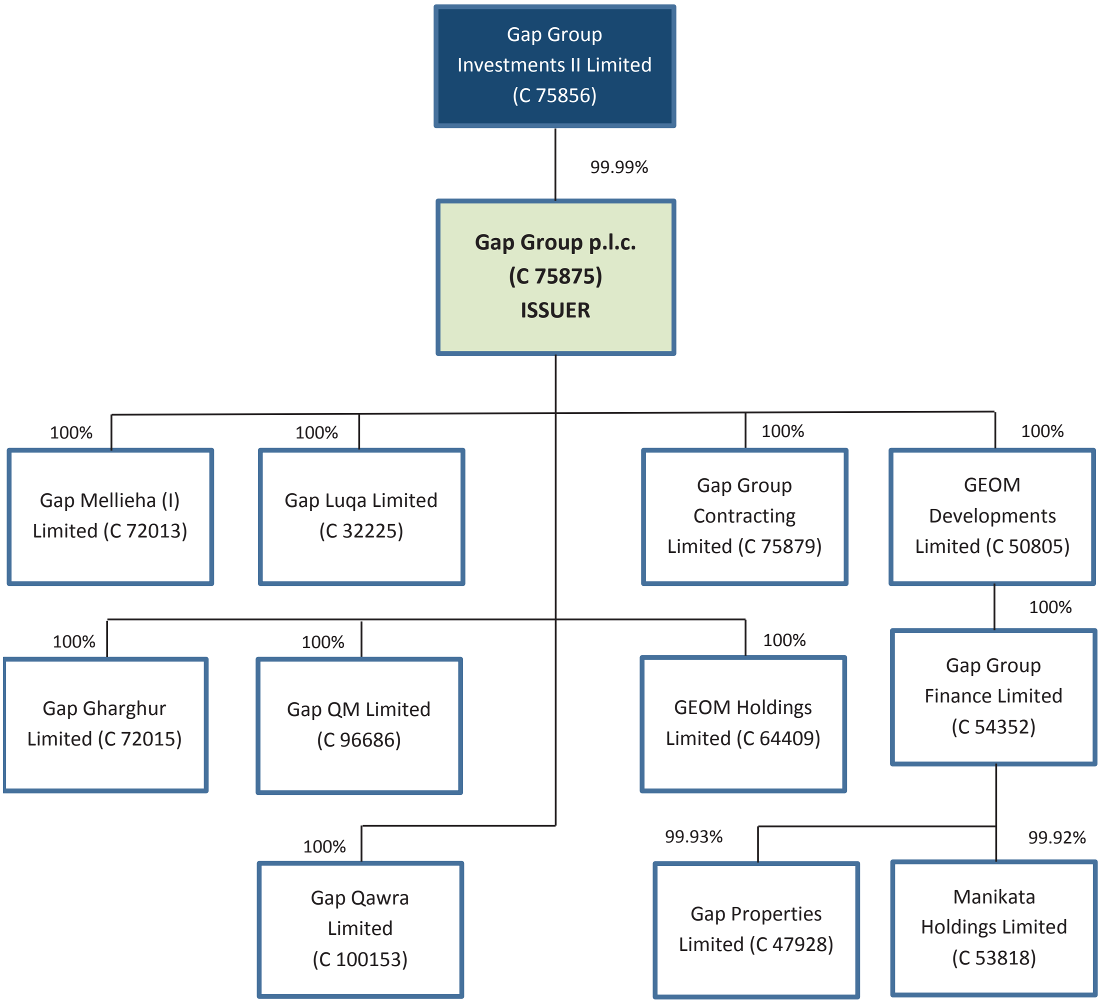
2.3 SENIOR MANAGEMENT

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.

3.1 2021 BOND GUARANTORS

3.1.1 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.

3.1.2 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.

3.2 2020 BOND GUARANTOR

3.2.1 Gap QM Limited

See section 3.1.2 above.

3.3 2019 BOND GUARANTORS

3.3.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the Companies 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.

3.3.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the Companies 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.

3.4 2016 BOND GUARANTOR

3.4.1 Gap Mellieħa (I) Limited

See section 3.3.2 above.

4. THE PROJECTS

4.1 QAWRA II DEVELOPMENT

In 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 6 blocks of apartments consisting, in aggregate, of 80 apartments.

The Qawra II Development shall be spread over eight levels and shall include 90 lock-up garages spread over two underground levels. The combined gross floor space of the apartments and garages shall consist of an area of 16,810m². The apartments shall be sold in a complete state and will comprise a mix of two and four 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 a mix of two and four bedroomed apartments, measuring approximately 120m² to 210m², 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 are envisaged to be completed by Q1 2022. The project including finishing works is expected to be finalised by Q1 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 €7.6 million. Payment under the said contract is being settled by GQM according to agreed fixed monthly payments.

Projected revenues to be generated from the sale of units of the Qawra II Development is expected to amount to €18.5 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* 5,895m² which on completion, shall comprise 94 apartments spread over 10 blocks.

The Mosta Development shall be spread over four levels and shall include 109 parking spaces, spread over one underground level, as well as four commercial units. The combined gross floor space of the apartments and garages shall consist of a saleable area of 20,208m². 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 120m² – 165m² 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 200m² 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. Preparation works under the supervision of the Superintendent of Cultural Heritage commenced in December 2020. Construction is envisaged to be completed by Q3 2022 and fully finished by Q1 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.

Projected revenues to be generated from the sale of units of the Mosta Development is expected to amount to €29.4 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. GQM has allocated different uses to Qawra Site III: Portion A is earmarked for residential purposes and is the portion of Qawra Site III over which the Qawra III Development shall be developed and completed; Portion B is earmarked for touristic purposes and shall be held by the Group for resale or for future development.

Portion A – the Qawra III Development

Portion A, measuring approximately 1,395m^2 shall be utilised for the construction of the Qawra III Development which, on completion, shall 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 which will be sold in a finished state (excluding internal doors) and including all common areas.

The Qawra III Development shall be spread over eight levels and shall include 58 lock-up garages spread over two underground levels, as well as two commercial units. The combined gross floor space of the residential units and garages shall consist of an area of 11,575m^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 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 is intended to commence in Q4 2021, with construction envisaged to be completed by Q2 2023 and fully finished by Q1 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 €4,300,000.

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 €12.5 million (net of sales commissions).

Portion B – the Qawra III Development

Portion B, measuring approximately 980m^2, shall be retained by the Group for future development or for resale depending on market circumstances and business opportunities of the Group. Portion B is subject to a permit for the development of a hostel and its value, estimated by an independent architect, amounts to *circa* €3.4 million. As at the date of this report, the Issuer has no current intention to undertake any such development and it shall not be making any reliance on any proceeds from the sale or any development of Portion B.

5. CURRENT 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 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 301 underlying lock-up garages/car spaces and 268 residential units, as detailed below.

Zone	Footprint (m^2)	Blocks (qty)	Garages/Car Spaces (qty)	Residential Units (qty)
A	2,182	6	52	69
B	951	3	21	37
C	2,800	6	137	81
D	980	2	33	38
E	1,545	4	58	43
	8,458	**21**	**301**	**268**

As at 30 June 2021, all five zones were fully completed. Finishing works in relation to Zone E shall be completed by Q4 2021. Total estimated development cost of the project is €17.5 million, of which, outstanding development costs to completion is *circa* €2 million. Development costs are being funded principally from net proceeds of the 2019 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. GLL and GGCL 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.

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 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 all 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 30 June 2021, 174 units have been sold for a total revenue of €35.5 million. A further 73 units, out of a total of 268 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €16.1 million, whereas the remaining 21 units are expected to be sold for an aggregate of approximately €5.9 million.

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 30 June 2021, 140 residential units have been sold and a further 17 units, out of a total of 159 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €7.4 million, whereas the remaining two units are expected to be sold for an aggregate of approximately €1.6 million.

5.3 OTHER MAJOR PROJECTS

In 2019, the Group acquired 3 parcels of land located in Marsascala, San Pawl tat-Tarġa and Birkirkara, as further explained hereinbelow.

5.3.1 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. Construction works commenced in Q1 2020 and are now completed. Finishing works will be completed in Q3 2021. The project comprises 63 residential units and 93 garages. Aggregate development costs, including acquisition of land, are estimated to amount to €13.9 million and are being funded from own funds and a bank loan facility.

As at 30 June 2021, 29 units were subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project is that of €18.6 million.

5.3.2 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 shall be developed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.25 million and are being funded from own funds and a bank loan facility. As at 30 June 2021 the project was fully completed.

The residential units were placed on the market towards the end of Q3 2020 and, one unit has been contracted. The projected revenue from the sale of the units forming part of this project is that of €2.9 million.

5.3.3 Birkirkara Development

In 2019, GGL acquired a site measuring 450m^2, situated in Triq Qormi, Birkirkara, over which 14 residential units and nine garages shall be constructed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.6 million and are being funded from own funds and a bank loan facility.

The project is fully completed and as at 30 June 2021, two units were sold and six units were subject to a promise of sale agreement. The projected revenue from the sale of the units forming part of this project is that of €3.5 million.

6. 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, 2019 Bonds, 2020 Bonds and, or the 2021 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.

7. TREND INFORMATION AND BUSINESS STRATEGY

7.1 MALTA ECONOMIC UPDATE

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, the authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.[1]

[1] International Monetary Fund – Malta (IMF Country Report No. 21/211, September 2021).

Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

The authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.

7.2 PROPERTY MARKET

During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[2] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020, prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

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[1] Central Bank of Malta, Property Price Index

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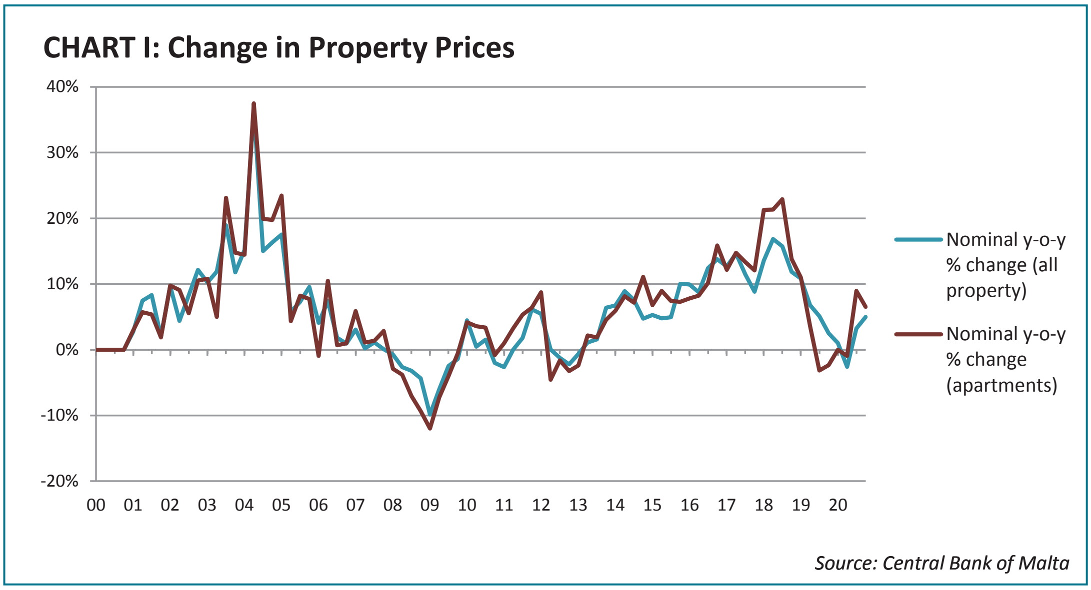
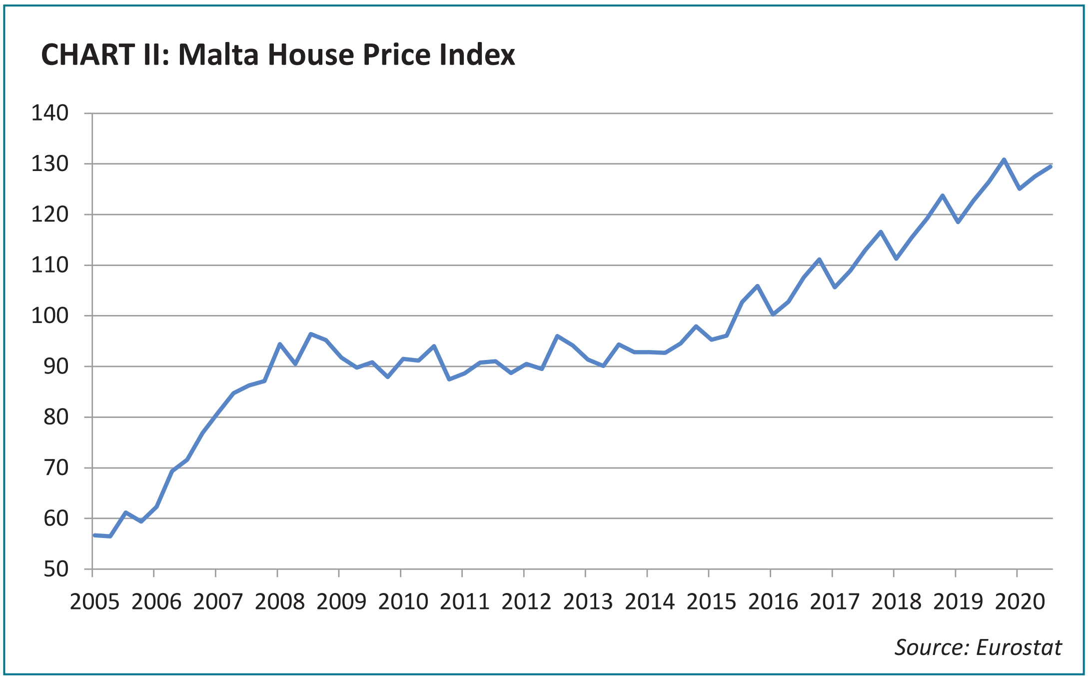
[2] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).



The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta[3] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).



[3] https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Govern¬ment's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions. [4]

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 and Budget 2022 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

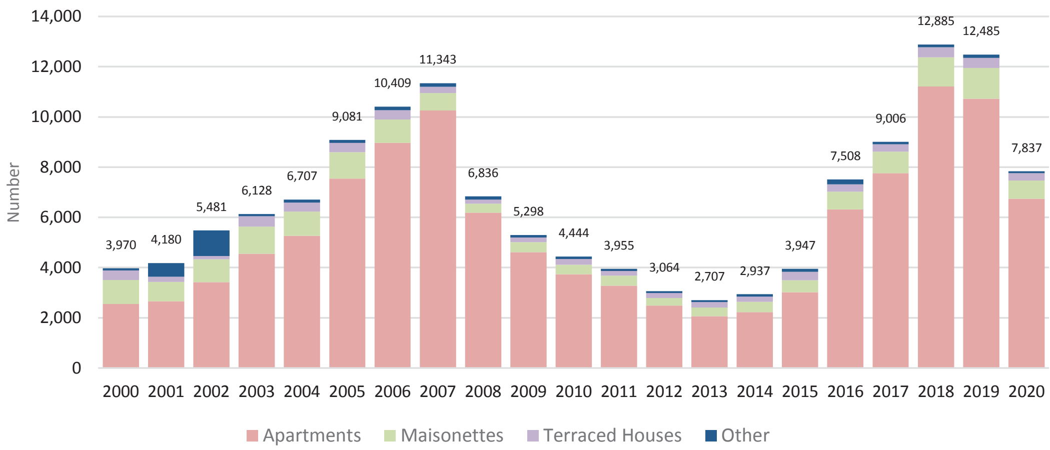
In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

In the third quarter of 2021, 3,564 final deeds of sale were registered, an annual increase of 16.4 (Q3 2020: 3,063 deeds). The value of deeds registered during this period rose by 37.1% over the same quarter of the previous year and amounted to €788.8 million. In Q3 2021, the number of promise of sale agreements reached 2,984. This represents an annual decrease of 14.6%. Over the 9-month period to 30 September 2021, 10,440 final deeds of sale were registered compared to 7,908 a year earlier (+32%), which had an aggregate value amounting to €2,262.7 million (2020: €1,503.3 million). The principal reason for the significant variance between Q1 to Q3 2021 and Q1 to Q3 2020 is the disruption in business activities caused by the pandemic during FY2020 but particularly during the lock down period in Q2 2020.[5]

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to a 37% decline in permits issued in 2020 compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residen¬tial permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

CHART III: Development Permits for Dwellings (number of units)



Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors were impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting short to medium term adverse effect on the Maltese economy and market sentiment.

[4] Central Bank of Malta Quarterly Review 2020:1 (page 43).
[5] https://nso.gov.mt/en/News_Releases/Documents/2021/10/News2021_186.pdf

7.3 STRATEGY

The Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

The strong response from investors for the Group's latest projects - Mellieħa Development and the Luqa Development - has shown that there is steady demand for real estate in Malta, which continues to support the current level of 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, over and above the uncertainties that continue to persist as a consequence of the COVID-19 pandemic.

In view of the above, the Directors are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy will continue to gradually return to pre-COVID 19 levels within a short period of time without adversely impacting business confidence, primary industries such as hospitality, and disposable incomes.

In the immediate term, Gap Group will be principally focused on completing the Luqa Development and will continue to market the remaining units available for sale at the Luqa Development and the Mellieħa Development. At the same time, the Group will direct resources towards the development and sale of units relating to its latest projects in Marsascala, San Pawl tat-Tarġa, Birkirkara, Qawra II Development and Mosta Development.

PART 2 – GAP GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO THE 2016 BOND GUARANTOR AND 2019 BOND GUARANTORS

8.1 GAP MELLIEĦA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2018 to 31 December 2020.

Gap Mellieha (I) Limited
Income Statement
for the year ended 31 December

	2018 Audited (€'000)	2019 Audited (€'000)	2020 Audited (€'000)
Revenue	16,193	12,953	13,016
Cost of sales	(10,390)	(8,111)	(5,362)
Administrative expenses	(1,012)	(630)	(635)
Operating profit	**4,791**	**4,212**	**7,019**
Net finance costs	(1,056)	(1,109)	(2,940)
Profit/(loss) before tax	**3,735**	**3,103**	**4,079**
Taxation	(1,256)	(1,003)	(790)
Total comprehensive income for the year	**2,479**	**2,100**	**3,289**

Gap Mellieha (I) Limited
Cash Flow Statement
for the year ended 31 December

	2018 Audited (€'000)	2019 Audited (€'000)	2020 Audited (€'000)
Net cash used in operating activities	(3,419)	(2,853)	18,890
Net cash from investing activities	106	103	93
Net cash from financing activities	3,800	2,796	(19,480)
Net movement in cash and cash equivalents	**487**	**46**	**(497)**
Cash and cash equivalents at beginning of period/year	14	501	547
Cash and cash equivalents at end of year	**501**	**547**	**50**

Gap Mellieha (I) Limited Balance Sheet as at	31 Dec'18 Audited (€'000)	31 Dec'19 Audited (€'000)	31 Dec'20 Audited (€'000)
ASSETS			
Non-current assets			
Loans and other receivables	2,404	2,534	-
	2,404	2,534	-
Current assets			
Inventory - development project	14,503	13,640	8,350
Trade and other receivables	12,941	20,419	1,997
Cash and cash equivalents	501	547	50
	27,945	34,606	10,397
Total assets	**30,349**	**37,140**	**10,397**
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	2,473	4,573	7,861
	2,474	**4,574**	**7,862**
LIABILITIES			
Current liabilities			
Other financial liabilities	19,170	22,119	200
Other current liabilities	8,705	10,447	2,335
	27,875	**32,566**	**2,535**
Total equity and liabilities	**30,349**	**37,140**	**10,397**

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units from the Mellieħa Development, representing 27% 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 residential units were subject to preliminary sale agreements.

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

Revenue generated by GML in FY2019 amounted to €13.0 million, compared to €16.2 million in FY2018, from the sale of 36 residential units (FY2018: 43 units). Accordingly, a total of 79 units have been sold out of a total of 159 residential units, and a further 24 units were subject to promise of sale agreements. Profit for the year decreased from €2.5 million in FY2018 to €2.1 million in FY2019.

As at 31 December 2019, the first seven blocks were fully complete, while Blocks A, B and C were 100% complete in terms of construction and finishing works were 95% complete. Inventory as at year end amounted to €13.6 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €23.0 million.

Capital creditors (primarily GGCL) as at 31 December 2019 amounted to €22.1 million and advance deposits amounted to €1.3 million.

Revenue generated by GML in FY2020 amounted to €13.0 million, compared to €13.0 million in FY2019, from the sale of 38 residential units (FY2019: 36 units). Accordingly, a total of 117 units have been sold out of a total of 159 residential units, and a further 28 units were subject to promise of sale agreements. Profit for the year increased from €2.1 million in FY2019 to €3.3 million in FY2020.

As at 31 December 2020, the project was fully developed. Inventory as at year end amounted to €8.4 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €1.9 million.

Capital creditors (primarily GGCL) as at 31 December 2020 amounted to €200,279 and advance deposits amounted to €0.5 million.

8.2 GAP LUQA LIMITED

The historical financial information about GLL is included in the audited financial statements for the financial years ended 31 December 2018 to 2020.

Gap Luqa Limited
Income Statement
for the year ended 31 December

	2018 Audited (€'000)	2019 Audited (€'000)	2020 Audited (€'000)
Revenue	2,002	11,819	9,316
Cost of sales	(1,185)	(6,533)	(4,850)
Administrative expenses	(33)	(552)	(285)
Operating profit	**784**	**4,734**	**4,181**
Net finance costs	-	(351)	(466)
Profit before tax	**784**	**4,383**	**3,715**
Taxation	(145)	(920)	(539)
Total comprehensive income for the year	**639**	**3,463**	**3,176**

Gap Luqa Limited
Cash Flow Statement
for the year ended 31 December

	2018 Audited (€'000)	2019 Audited (€'000)	2020 Audited (€'000)
Net cash from (used in) operating activities	(6,690)	6,396	1,020
Net cash from investing activities	1	-	-
Net cash from (used in) financing activities	6,544	(5,816)	(1,582)
Net movement in cash and cash equivalents	**(145)**	**580**	**(562)**
Cash and cash equivalents at beginning of year	197	52	632
Cash and cash equivalents at end of year	**52**	**632**	**70**

Gap Luqa Limited
Balance Sheet

As at	31 Dec'18 Audited (€'000)	31 Dec'19 Audited (€'000)	31 Dec'20 Audited (€'000)
ASSETS			
Current assets			
Inventory - development project	11,260	12,215	14,863
Trade and other receivables	9,399	8,872	8,457
Cash and cash equivalents	52	632	70
	20,711	21,719	23,390
Total assets	**20,711**	**21,719**	**23,390**
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	1,378	4,841	8,017
	1,379	**4,842**	**8,018**
LIABILITIES			
Non-current liabilities			
Bank loans and other financial liabilities	7,522	2,534	-
	7,522	2,534	-
Current liabilities			
Bank loans and other financial liabilities	8,684	7,731	11,210
Other current liabilities	3,126	6,612	4,162
	11,810	14,343	15,372
	19,332	**16,877**	**15,372**
Total equity and liabilities	**20,711**	**21,719**	**23,390**

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.

In FY2019, revenue generated amounted to €11.8 million from the sale of 59 units forming part of the Luqa Development. Such sales contributed €4.7 million to operating profit, while net profit for the year amounted to €3.5 million.

The Luqa Development consists of 21 blocks. By 31 December 2019, the first 9 blocks were fully complete. Construction works had started on the next 6 blocks, whereas excavation works were complete in relation to the last remaining 6 blocks.

Revenue in FY2020 amounted to €9.3 million compared to €11.8 million in the prior year. Operating profit was lower on a comparable basis, from €4.7 million in FY2019 to €4.2 million. Overall, comprehensive income amounted to €3.2 million (FY2019: €3.5 million). Out of 21 blocks, 15 blocks have been fully completed. With regard to the remaining 6 blocks, construction works are expected to be completed in Q3 2021 while finishes should be completed in Q4 2021.

Total assets as at 31 December 2020 amounted to €23.4 million (FY2019: €21.7 million) and principally included inventory (work-in-progress on development project) of €14.9 million (FY2019: €12.2 million) and related party loans receivable of €8.5 million (FY2019: €8.9 million). Liabilities mainly comprised related party loans amounting to €11.2 million (FY2019: €10.3 million), advance deposits amounting to €2.1 million (FY2019: €1.4 million) and other creditors of €2.1 million (FY2019: €5.2 million).

9. PROJECTED FINANCIAL INFORMATION RELATING TO THE 2020 GUARANTOR AND 2021 GUARANTORS

9.1 GAP QM LIMITED

GQM was established on 23 September 2020 and since then has acquired the Qawra and Mosta sites and initiated development of the Qawra II Development and the Mosta Development. GQM has not published its first set of audited financial statements. The following projected financial information of GQM has been provided by management of the Issuer and covers the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022.

Gap QM Limited **Projected Income Statement** **for the period/year**	**23 Sept'20 to 31 Dec'21 (€'000)**	**1 Jan'22 to 31 Dec'22 (€'000)**
Administrative expenses	(25)	(30)
Loss for the period/year	**(25)**	**(30)**

Gap QM Limited **Projected Cash Flow Statement** **for the period/year**	**23 Sept'20 to 31 Dec'21 (€'000)**	**1 Jan'22 to 31 Dec'22 (€'000)**
Net cash used in operating activities	(19,020)	(7,780)
Net cash from financing activities	20,000	7,600
Net movement in cash and cash equivalents	**980**	**(180)**
Cash and cash equivalents at beginning of period/year	-	980
Cash and cash equivalents at end of period/year	**980**	**800**

Gap QM Limited Projected Balance Sheet As at 31 December	2021 (€'000)	2022 (€'000)
ASSETS		
Current assets		
Inventory - development project	20,000	27,750
Cash and cash equivalents	980	800
	20,980	28,550
Total assets	**20,980**	**28,550**
EQUITY		
Capital and reserves		
Called up share capital	5	5
Retained earnings	(25)	(55)
	(20)	**(50)**
LIABILITIES		
Current liabilities		
Borrowings and other financial liabilities	20,000	28,000
Other current liabilities	1,000	600
	21,000	28,600
	21,000	**28,600**
Total equity and liabilities	**20,980**	**28,550**

During the period under review, GQM will be principally involved in developing the Qawra II Development and the Mosta Development.

In FP2021, inventory is forecasted to amount to €20.0 million comprising the cost of acquisition of the Qawra Site II and Mosta Site amounting to €15.6 million and development costs of €4.4 million. In FY2022, development costs are expected to amount to €7.8 million and as such, inventory as at 31 December 2022 is projected at €27.8 million.

Such expenditure is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 Bonds).

9.2 GAP QAWRA LIMITED

GQL was established on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development. GQL has not commenced any trading or business activities and has not published its first set of audited financial statements. The following projected financial information of GQL has been provided by management of the Issuer and covers the period 20 October 2021 to 31 December 2022.

Gap Qawra Limited Projected Income Statement for the period 20 October 2021 to 31 December 2022	(€'000)
Administrative expenses	(30)
Loss for the period	**(30)**

Gap Qawra Limited
Projected Cash Flow Statement
for the period 20 October 2021 to 31 December 2022

	(€'000)
Net cash used in operating activities	(9,525)
Net cash from financing activities	9,825
Net movement in cash and cash equivalents	**300**
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	**300**

Gap Qawra Limited
Projected Balance Sheet
As at 31 December 2022

	(€'000)
ASSETS	
Current assets	
Inventory - development project	9,500
Cash and cash equivalents	300
	9,800
Total assets	**9,800**
EQUITY	
Capital and reserves	
Called up share capital	5
Retained earnings	(30)
	(25)
LIABILITIES	
Current liabilities	
Borrowings and other financial liabilities	9,250
Other current liabilities	575
	9,825
	9,825
Total equity and liabilities	**9,800**

During the period under review, GQL will be principally involved in acquiring the Qawra Site III and commence developing thereon the Qawra III Development. Such expenditure, projected at €9.5 million, is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2021 Bonds).

10. FINANCIAL INFORMATION RELATING TO THE ISSUER

The following financial information is extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2018 to 2020. The projected consolidated financial information for the years ending 31 December 2021 and 31 December 2022 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.

The COVID-19 pandemic has caused disruption to businesses and economic activity which has also been reflected in volatility in the property market. Whilst the Directors believe that the pandemic may affect sales of property in the near term, they are confident that the Group has in place robust financial fundamentals and sufficient resources to enable it to meet the challenges that the pandemic may present.

GAP Group p.l.c.
Consolidated Statement of Comprehensive Income

for the year ended 31 December	**2018**	**2019**	**2020**	**2021**	**2022**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Revenue	30,444	28,287	23,786	51,918	30,017
Cost of sales	(21,747)	(20,500)	(13,600)	(36,720)	(21,164)
Administrative expenses	(1,701)	(1,650)	(1,167)	(1,898)	(840)
Operating profit	**6,996**	**6,137**	**9,019**	**13,300**	**8,013**
Investment income	683	729	592	298	-
Finance costs	(2,258)	(3,493)	(4,027)	(2,308)	(1,059)
Profit before tax	**5,421**	**3,373**	**5,584**	**11,290**	**6,954**
Taxation	(2,439)	(2,245)	(1,482)	(3,298)	(2,401)
Profit for the year	**2,982**	**1,128**	**4,102**	**7,992**	**4,553**
Other comprehensive income					
Movement in fair value of financial assets	191	157	(123)	153	103
Total comprehensive income for the year	**3,173**	**1,285**	**3,979**	**8,145**	**4,656**

Key Accounting Ratios

	FY2018	**FY2019**	**FY2020**	**FY2021**	**FY2022**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
Operating profit margin *(Operating profit/revenue)*	23%	22%	38%	26%	27%
Interest cover (times) *(Operating profit/net finance cost)*	4.44	2.22	2.63	6.62	7.57
Interest cover 2 (times) *(Operating profit/finance cost)*	3.10	1.76	2.24	5.76	7.57
Net profit margin *(Profit after tax/revenue)*	10%	4%	17%	15%	15%
Earnings per share (€) *(Profit after tax/number of shares)*	1.19	0.45	1.64	3.20	1.82
Return on equity *(Profit after tax/shareholders' equity)*	30%	10%	27%	38%	18%
Return on capital employed *(Operating profit/total assets less current liabilities)*	14%	8%	10%	13%	11%
Return on assets *(Profit after tax/total assets)*	5%	1%	4%	7%	5%

Source: MZ Investment Services Limited

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. Operating profit 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).

During FY2019, the Gap Group was principally involved in the construction and development of the following projects:

- Mellieħa Development – the whole project was completed in April 2020; and

- Luqa Development – out of 21 blocks, 9 blocks were fully complete, while construction works on another 6 blocks have commenced. Development of the final 6 blocks will started later in that year. It is envisaged that the project will be completed in its entirety by Q4 2021.

Furthermore, in FY2019, the Group acquired another 3 sites in Marsascala, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.

In the afore-mentioned financial year, the Group generated aggregate revenue of €28.3 million, a decrease of €2.2 million when compared to the prior year. Revenue was principally derived from the sale of units forming part of the Mellieħa Development and the Luqa Development. Operating profit was lower on a comparable basis by €0.9 million and amounted to €6.1 million. In FY2019, net finance costs (being investment income less finance costs) were materially higher from FY2018 by 75% to €2.8 million, which adversely impacted net profit for the year. An amount of circa €1 million in finance costs was a one-off item and resulted from the premium paid by the Issuer to holders of the 2016 Bonds who had opted to exchange same to the 2019 Bonds. Overall, GAP Group reported total comprehensive income for FY2019 of €1.3 million compared to €3.2 million in FY2018.

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 €9.0 million, an increase of €2.9 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 38%, 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 2.63 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 improved by 2 percentage points to 10% while return on assets increased from 1% in FY2019 to 4%. This positive trend is expected to continue in FY2021 and FY2022.

In FY2021, the Group expects revenue to more than double from €23.8 million in FY2020 to €51.9 million. Approximately 85% of revenue is projected to be generated from the Luqa Development and Mellieħa Development, while 15% is expected to be derived from projects described in section 5.3 of this report (primarily from the Marsascala Development). As such, operating profit is projected to increase by €4.3 million (+47% y-o-y) to €13.3 million (FY2020: €9.0 million), and comprehensive income is expected to increase by 105% to €8.1 million (FY2020: €4.0 million).

Revenue in FY2022 is projected to amount to €30.0 million compared to €51.9 million in the prior year. Management is assuming that during the said financial year the Group will complete the sale of all remaining units forming part of the Mellieħa Development, Luqa Development, Marsascala Development, San Pawl tat-Tarġa Development and Birkirkara Development. At an operating profit margin of 27% (FY2021: 26%), the Group is expected to generate an operating profit of €8.0 million (FY2021: €13.3 million). Overall, total comprehensive income for FY2022 is projected at €4.7 million compared to €8.1 million in FY2021.

GAP Group p.l.c.					
Consolidated Statement of Financial Position					
as at 31 December	**2018**	**2019**	**2020**	**2021**	**2022**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
ASSETS					
Non-current assets					
Property, plant and equipment	30	32	23	22	22
Investments	2,145	6,012	6,097	6,597	-
Loans and other receivables	11,583	10,111	10,382	10,657	10,952
Sinking fund	3,975	24	6,480	8,474	-
	17,733	16,179	22,982	25,750	10,974
Current assets					
Inventory - development project	22,786	48,958	62,649	53,607	44,486
Trade and other receivables	387	2,553	4,303	4,419	4,226
Cash and cash equivalents	624	7,698	2,060	15,766	20,843
Sinking fund	13,707	12,498	11,901	16,121	3,849
	37,504	71,707	80,913	89,913	73,404
Total assets	**55,237**	**87,886**	**103,895**	**115,663**	**84,378**
EQUITY					
Capital and reserves					
Called up share capital	2,500	2,500	2,500	2,500	2,500
Other capital	2,900	3,057	2,934	2,500	2,500
Retained earnings	4,469	5,598	9,700	15,779	20,435
	9,869	**11,155**	**15,134**	**20,779**	**25,435**
LIABILITIES					
Non-current liabilities					
Borrowings and other financial liabilities	5	6,141	7,737	7,642	3,344
Debt securities	39,473	56,991	69,864	74,291	45,369
	39,478	63,132	77,601	81,933	48,713
Current liabilities					
Bank overdrafts	7	-	500	-	-
Borrowings and other financial liabilities	111	2,610	657	181	181
Other current liabilities	5,772	10,989	10,003	12,770	10,049
	5,890	13,599	11,160	12,951	10,230
	45,368	**76,731**	**88,761**	**94,884**	**58,943**
Total equity and liabilities	**55,237**	**87,886**	**103,895**	**115,663**	**84,378**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Projection
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	66%	78%	78%	63%	49%
Gearing ratio 2 (times) *(Total net debt/shareholders' equity)*	1.94	3.54	3.45	1.69	0.95
Net debt to Operating profit (years) *(Net debt/Operating profit)*	2.74	6.44	5.79	2.64	3.02
Net assets per share (€) *(Net asset value/number of shares)*	3.95	4.46	6.05	8.31	10.17
Liquidity ratio (times) *(Current assets/current liabilities)*	6.37	5.27	7.25	6.94	7.18

Source: MZ Investment Services Limited

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.

The Group's balance sheet as at 31 December 2019 included total assets amounting to €87.9 million, made up of inventory (being acquisition of sites in Marsascala, San Pawl Tat-Tarġa and Birkirkara and works-in-progress on property developments) of €49.0 million, related party balance of €12.7 million and cash balances amounting to €20.2 million. Moreover, an amount of €6.0 million represented investments in various corporate bonds.

Liabilities principally included debt securities of €57.0 million, while bank loans and other financial liabilities amounted to €8.8 million. Shareholders' equity as at 31 December 2019 amounted to 11.2 million compared to €9.9 million a year earlier. Within shareholders' equity, other capital amounting to €3.1 million comprises a shareholders' loan of €2.5 million. 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.

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 Site II 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) increased from €20.2 million in FY2019 to €20.4 million.

The leverage of the Group (gearing) remained stable in FY2020 at 78% despite the increase in borrowings. The liquidity ratio was at 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 €4.46 in FY2019 to €6.05 in FY2020.

Total assets as at 31 December 2021 is forecasted to amount to €115.7 million compared to €103.9 million in the prior year. Inventory is projected at €53.6 million (FY2020: €62.6 million) and comprises the Qawra Site III which is expected to be acquired in December 2021 for the consideration of circa €8 million. Due to the substantial turnover forecasted for FY2021, cash balances are expected to double on y-o-y basis from €20.4 million in FY2020 to €40.4 million.

The Group's equity is projected to increase by 37% from €15.1 million in FY2020 to €20.8 million, mainly due to a projected y-o-y increase of €6.1 million in retained earnings to €15.8 million.

Total liabilities of the Group mainly comprise debt securities and are projected to increase by €6.1 million (y-o-y) to €94.9 million. Notwithstanding the said increase, the gearing ratio is expected to decrease from 78% in FY2020 to 63% primarily on account of the above-mentioned increase in cash balances and retained earnings.

In FY2022, equity is projected to increase further by 61% to €25.4 million while total liabilities are expected to decrease y-o-y by €35.9 million due to the redemption of the 2019 Bonds. Inventory as at 31 December 2022 is expected to include the Qawra Site II, the Mosta Site, the Qawra Site III and construction thereon.

GAP Group p.l.c. **Consolidated Cash Flow Statement** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**	**2022** **Projection** **€'000**
Net cash from (used in) operating activities	7,489	(20,317)	(10,862)	22,271	14,081
Net cash from (used in) investing activities	6,939	(1,206)	507	468	110
Net cash from (used in) financing activities	(1,285)	27,395	3,620	(4,313)	(21,386)
Net movement in cash and cash equivalents	**13,143**	**5,872**	**(6,735)**	**18,426**	**(7,195)**
Cash and cash equivalents at beginning of year	1,181	14,324	20,196	13,461	31,887
Cash and cash equivalents at end of year	**14,324**	**20,196**	**13,461**	**31,887**	**24,692**

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 is projected at €18.4 million (FY2020: adverse balance of €6.7 million). Net cash from operating activities is expected to amount to €22.3 million, primarily on account of cash inflows from final sale contracts. Net cash from investing activities is expected to amount to €0.5 million compared to inflows of €0.5 million in the prior year. Net cash used in financing activities is estimated at €4.3 million.

In FY2022, the Group is projected to generate €14.1 million of net cash from operating activities, while net cash outflows from financial activities of €21.4 million primarily comprises the repayment of capital relating to the 2019 Bonds on maturity date.

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**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**	**2022** **Projection** **€'000**
4.25% Secured Bonds 2023	17,682	17,712	18,405	3,849	3,849
3.65% Secured Bonds 2022		822	1,700	27,343	
3.70% Secured Bonds 2023 - 2025			4,373		
	17,682	**18,534**	**24,478**	**31,192**	**3,849**

The 3.70% Secured Bonds 2023 – 2025 was listed in December 2020 and as at year end the balance of net proceeds held by the Security Trustee amounted to €4.4 million. This amount is expected to be released to the Group during FY2021 for the purposes of financing the developments in Mosta and Qawra. As such, the balance on the reserve account as at 31 December 2021 with respect to this bond issue is expected to be nil.

11. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between: (i) the forecast financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the audited consolidated financial statements for the year ended 31 December 2020; and (ii) the forecast financial information for the year ending 31 December 2021 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the updated forecast financial information for the year ending 31 December 2021.

GAP Group p.l.c. Consolidated Statement of Comprehensive Income for the year ended 31 December	2020 Actual €'000	2020 Forecast FAS Nov'20 €'000	2020 Variance €'000	2021 Forecast €'000	2021 Forecast FAS Nov'20 €'000	2021 Variance €'000
Revenue	23,786	24,953	(1,167)	51,918	54,900	(2,982)
Cost of sales	(13,600)	(16,558)	2,958	(36,720)	(40,692)	3,972
Administrative expenses	(1,167)	(1,105)	(62)	(1,898)	(840)	(1,058)
Operating profit	**9,019**	**7,290**	**1,729**	**13,300**	**13,368**	**(68)**
Investment income	592	480	112	298	489	(191)
Finance costs	(4,027)	(1,639)	(2,388)	(2,308)	(1,822)	(486)
Profit before tax	**5,584**	**6,131**	**(547)**	**11,290**	**12,035**	**(745)**
Taxation	(1,482)	(1,830)	348	(3,298)	(4,392)	1,094
Profit for the year	**4,102**	**4,301**	**(199)**	**7,992**	**7,643**	**349**
Other comprehensive income						
Movement in fair value of financial assets	(123)	95	(218)	153	129	24
Total comprehensive income for the year	**3,979**	**4,396**	**(417)**	**8,145**	**7,772**	**373**

FY2020: Actual operating profit was higher than forecast by €1.7 million due to lower cost of sales of €3.0 million which positive variance was diluted by lower than expected revenue of €1.2 million. Actual finance costs amounted to €4.0 million compared to a forecast figure of €1.6 million. This adverse variance was due to the fact that finance costs capitalised to inventory (development works in progress) was lower than forecasted. Overall, total comprehensive income for the year was lower than anticipated by €0.4 million.

FY2021: Total comprehensive income for the year has been revised upwards by €0.4 million. Further analysis shows that revenue is expected to be lower than initially projected by €3.0 million mainly on account of timing to conclude sale contracts. On the other hand, the Group is expected to reduce cost of sales by €4.0 million but administrative expenses are set to increase by €1.1 million, thus resulting in a negligible change in operating profit of -€68,000.

GAP Group p.l.c. Consolidated Cash Flow Statement for the year ended 31 December	2020 Actual €'000	2020 Forecast FAS Nov'20 €'000	2020 Variance €'000	2021 Forecast €'000	2021 Forecast FAS Nov'20 €'000	2021 Variance €'000
Net cash from (used in) operating activities	(10,862)	(9,805)	(1,057)	22,271	29,858	(7,587)
Net cash from (used in) investing activities	507	303	204	468	489	(21)
Net cash from (used in) financing activities	3,620	21,345	(17,725)	(4,313)	4,780	(9,093)
Net movement in cash and cash equivalents	**(6,735)**	**11,843**	**(18,578)**	**18,426**	**35,127**	**(16,701)**
Cash and cash equivalents at beginning of year	20,196	20,196	-	13,461	32,039	(18,578)
Cash and cash equivalents at end of year	**13,461**	**32,039**	**(18,578)**	**31,887**	**67,166**	**(35,279)**

FY2020: Actual net movement in cash and cash equivalents was an adverse balance of -€6.7 million compared to a forecasted positive balance of €11.8 million. The net variance of -€18.6 million emanates from higher than expected cash used in operating activities of €1.1 million due to higher inventory balances, and a lower than expected amount derived from financing activities (variance amounting to -€17.7 million) on account of lower than expected loan receivables, borrowings and other financial liabilities as well as debt securities.

FY2021: Net cash from operating activities is lower than initially projected by €7.6 million due to higher balances of inventory. Furthermore, cashflows from financing activities are expected to amount to -€4.3 million compared to the original forecast of +€4.8 million due to net repayments of debt securities. Overall, net cash balances are expected to be lower than previously projected by €16.7 million.

GAP Group p.l.c. Consolidated Statement of Financial Position as at 31 December	2020 Actual €'000	2020 Forecast FAS Nov'20 €'000	2020 Variance €'000	2021 Forecast €'000	2021 Forecast FAS Nov'20 €'000	2021 Variance €'000
ASSETS						
Non-current assets						
Property, plant and equipment	23	27	(4)	22	27	(5)
Investments	6,097	6,189	(92)	6,597	6,189	408
Loans and other receivables	10,382	12,931	(2,549)	10,657	13,060	(2,403)
Sinking fund	6,480	-	6,480	8,474	-	8,474
	22,982	19,147	3,835	25,750	19,276	6,474
Current assets						
Inventory - development project	62,649	59,483	3,166	53,607	36,294	17,313
Trade and other receivables	4,303	887	3,416	4,419	887	3,532
Cash and cash equivalents	2,060	10,622	(8,562)	15,766	21,209	(5,443)
Sinking fund	11,901	21,417	(9,516)	16,121	45,957	(29,836)
	80,913	92,409	(11,496)	89,913	104,347	(14,434)
Total assets	**103,895**	**111,556**	**(7,661)**	**115,663**	**123,623**	**(7,960)**
EQUITY						
Capital and reserves						
Called up share capital	2,500	2,500	-	2,500	2,500	-
Other capital	2,934	3,030	(96)	2,500	3,030	(530)
Retained earnings	9,700	10,021	(321)	15,779	17,792	(2,013)
	15,134	**15,551**	**(417)**	**20,779**	**23,322**	**(2,543)**
LIABILITIES						
Non-current liabilities						
Borrowings and other financial liabilities	7,737	11,242	(3,505)	7,642	4,751	2,891
Debt securities	69,864	76,423	(6,559)	74,291	88,065	(13,774)
	77,601	87,665	(10,064)	81,933	92,816	(10,883)
Current liabilities						
Bank overdrafts	500	-	500	-	-	-
Borrowings and other financial liabilities	657	1,081	(424)	181	1,081	(900)
Other current liabilities	10,003	7,259	2,744	12,770	6,404	6,366
	11,160	8,340	2,820	12,951	7,485	5,466
	88,761	**96,005**	**(7,244)**	**94,884**	**100,301**	**(5,417)**
Total equity and liabilities	**103,895**	**111,556**	**(7,661)**	**115,663**	**123,623**	**(7,960)**

FY2020: Actual total assets were lower than expected by €7.7 million due to lower than expected balances of cash and sinking fund reserves (-€11.6 million). Such cash amounts were utilised to reduce outstanding borrowings and debt securities. On the other hand, inventories and receivables (non-current and current) were higher by €3.2 million and €0.9 million respectively. In liabilities, borrowings and debt securities were lower than expected by €10.1 million, while current liabilities were higher than forecasted by €2.7 million. As explained above, the Group repaid *circa* €10 million worth of borrowings and debt securities which was not anticipated in the Nov'20 forecast.

FY2021: Projected total assets have been lowered by €8.0 million mainly due to lower cash balances of €26.8 million but higher inventories amounting to €17.3 million. On the liabilities side, debt securities have been reduced by €13.8 million but borrowings and current liabilities are higher than projected by €2.9 million and €6.4 million respectively. In this regard, the Group is utilising a higher amount of cash balances than previously projected to reduce outstanding debt securities.

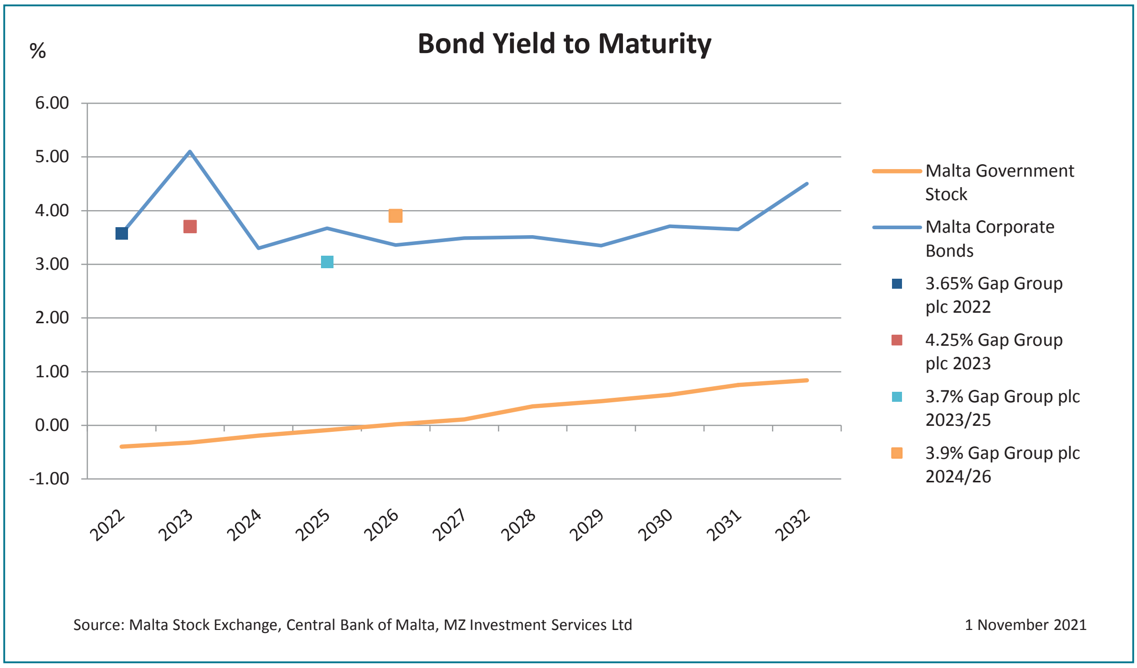
PART 3 - COMPARABLES

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 (%)**
5.80% International Hotel Investments plc 2021	20,000,000	5.52	- 0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	**29,218,400**	**3.57**	**2.24**	**103,895**	**15,134**	**73.44**
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	3.18	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	**19,247,300**	**3.70**	**2.24**	**103,895**	**15,134**	**73.44**
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	10,000,000	5.00	- 0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.16	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	5.54	- 0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.30	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.57	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.30	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,341,100	2.88	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	**21,000,000**	**3.04**	**2.24**	**103,895**	**15,134**	**73.44**
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.64	- 0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.21	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.67	1.46	149,639	62,675	54.94
3.9% GAP Group plc Secured € 2024-2026	**21,000,000**	**3.90**	**2.24**	**103,895**	**15,134**	**73.44**
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.36	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.30	- 0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.67	- 0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.77	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.93	0.88	328,464	131,504	30.32
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.49	- 0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.34	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.51	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.35	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.32	0.76	348,657	217,449	25.57

01-Nov-21

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 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The 2019 Bonds are trading at a yield of 3.57%, which is at par when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 397 basis points.

The 2016 Bonds are trading at a yield of 3.70%, which is circa 140 basis points lower when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 402 basis points.

The 2020 Bonds are trading at a yield of 3.04%, which is circa 63 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 313 basis points.

The 2021 Bonds have been priced at a yield of 3.90%, which is circa 54 basis points higher when compared to other corporate bonds maturing in 2026. The premium over FY2026 Malta Government Stock is 388 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.