Reg. No. C 75875

GAP GROUP p.l.c.

FINANCIAL STATEMENTS

31st DECEMBER 2020

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st DECEMBER 2020

The directors present their annual report and the audited parent company financial statements together with the group's consolidated financial statements (the "financial statements") of Gap Group p.l.c. for the year ended 31st December 2020.

Principal Activities

The principal activity of Gap Group p.l.c. is to hold investments in subsidiary companies and to raise financial resources from the capital markets to finance its investments and the property development projects of its subsidiaries. The principal activity of the Group is to acquire, develop and dispose of immovable property and to construct, develop and enter into arrangements with contractors and other service providers in connection with its properties. The directors do not envisage any changes to the company's and group's principal activities in the foreseeable future.

Review of business

Works on the developments progressed well and within the scheduled time frames. The Group continued to sign new preliminary agreements at a steady pace whilst a good number of contracts from the Mellieha and Luqa developments were signed during the financial year under review.

The Mellieħa development

The Mellieha development was fully complete during 2020. Out of the 159 residential units, 117 units have been sold (contracted) and a further 28 units were subject to a Preliminary Agreement as at 31st December 2020.

This means that 91% of the residential units were committed, out of which 81% have been contracted as at 31st December 2020.

The Luqa development

The Luqa development consists of 21 blocks. By the end of the year, the first 9 blocks were fully complete. Construction works were fully complete on the next 6 blocks and finishes were at an advanced level of completion.

With regards to the remaining 6 blocks construction works have commenced and shall be fully towards the beginning of Q3 2021, whereas finishes of the last 6 blocks should be ready in Q4 2021.

At the end of the year, out of the 268 residential units, 101 units have been sold (contracted) and a further 101 units were subject to a Preliminary Agreement.

This means that 75% of the residential units were committed, out of which 50% have been contracted as at the end of the year.

The Marsascala Development

The Marsascala development consists of 63 residential units. By the end of the year, construction was 85% complete and finishes were moving at a steady pace. Construction works are expected to be complete in Q2 2021 and finishes should be complete by the end of Q3 2021.

At the end of the year, out of the 63 residential units, 13 units were subject to a Preliminary Agreement. This means that 21% of the residential units were committed.

Directors' report - continued

The Qawra Development

The project was completed in 2017. More residential units were contracted during 2020, bringing the total number of contracted units to 61 (98%). The last remaining apartment is subject to a preliminary agreement.

The development is a joint venture between GEOM Developments Limited (Blocks A, B and C) and GEOM Holdings Limited (Blocks D, E, F and G), both subsidiaries of the Company.

The Żebbuġ Development

The project was completed in 2017 and all the apartments were contracted by the end of Q2 2017. During 2020, more garages were contracted, and the last remaining garage was subject to a preliminary agreement.

Other development projects

During 2019 one of the subsidiaries acquired two plots of land in Birkirkara and San Pawl tat-Targa. Construction works on both developments were almost complete by the end of the year and finishing works have just commenced. The two projects are envisaged to be fully complete by Q2 2021.

At the end of the year, out of the 23 residential units, 2 units were subject to a Preliminary Agreement. This means that 10% of the residential units were committed.

New projects

In December 2020, a newly incorporated subsidiary, acquired two plots of land in Qawra and Mosta. Works on both projects have commenced immediately and are progressing in line with expectations.

Bonds in issue

Pursuant to a prospectus published on the 20 November 2020, Gap Group p.l.c. issued €21,000,000 3.7% Secured Bonds 2023 - 2025, having a nominal value of €100 per Bond and issued at par. The Bonds were admitted to listing on the Official List of the Malta Stock Exchange on 29 December 2020 and trading commenced on 30 December 2020.

The company has two other bonds in issue, namely the GAP Group p.l.c. 3.65% Secured Bonds 2022 and the Gap Group p.l.c. 4.25% Secured Bonds 2023.

As at 31 December 2020 the aggregate amount of bonds in issue amounted to €70,614,800 being €30,367,500 of the GAP Group p.l.c. 3.65% Secured Bonds 2022, €19,247,300 of the Gap Group p.l.c. 4.25% Secured Bonds 2023 and €21,000,000 of the Gap Group p.l.c. 3.7% Secured Bonds 2023 – 2025.

Directors' report - continued

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023, the 3.65% Secured Bonds 2022 and the 3.7% Secured Bonds 2023 - 2025, a reserve account had been created by the Security Trustee to cover for the redemption of the three bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on condition that these units are freed from hypothecary rights and privileges against an agreed amount from the sale proceeds being deposited in the said Reserve Accounts.

By 31 December 2020, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €18,405,115 (i.e. 96% of the total bond repayment) and the Reserve Account of the 3.65% Secured Bonds 2022 carried a balance of €1,700,028 (i.e. 5% of the total bond repayment).

Principal risks and uncertainties

Although the development works of the afore-mentioned projects and the securing of new sales by way of preliminary agreements are progressing as planned, the company is still subject to several financial risk factors including the market, economic, counter-party, credit and liquidity risks amongst others that may affect the projects and their timely completion. Where possible, the board provides principles for the overall risk management as well as policies to mitigate these risks in the most prudent way.

COVID – 19 pandemic

Following the developments of the COVID-19 pandemic, the Company is closely monitoring the situation resulting from these events and the effects which these may have on its stakeholders, operations and performance. The COVID-19 pandemic has caused disruption to businesses and economic activity which has also been reflected in volatility in the property market.

The Directors consider that it is premature to forecast the impact of the pandemic on the financial and operational performance of the Company itself, more so since developments continue to unfold daily. Whilst the Directors believe that the pandemic will affect sales of property during 2021, they are confident that the Company has in place robust financial fundamentals and proper resources to enable it to meet the challenges that the pandemic may present.

Results and dividends

Results and dividends

The results for the year ended 31 December 2020 are shown in the income statement on page 13. The Group registered a Profit of €3,978,844 (2019 - €1,285,596), while the Company registered a Profit of €24,146 (2019 - loss €1,119,889).

The directors do not recommend the payment of a dividend.

Directors' report - continued

Directors

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

George Muscat (Chairperson)
Paul Attard (Executive Director and Company Secretary)
Adrian Muscat (Executive Director)
Francis Gouder (Non-Executive Director)
Mark Castillo (Non-Executive Director)
Dr Chris Cilia (Non-Executive Director)

The Company's Articles of Association do not require any directors to retire.

The Company's Secretary is Mr Paul Attard.

Statement of Directors' responsibilities

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

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

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

Statement by the Directors pursuant to Listing Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fanir view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' report - continued

Going Concern statement pursuant to Listing Rule 5.62

Based on the outcome of cash flow projections which factor for possible strain on the property market resulting from the COVID-19 pandemic, the Directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation and believe that no material uncertainty that may cast significant doubt about the company's and the group's ability to continue as a going concern exists as at that date.

Statement by the Directors pursuant to Listing Rule 5.70.1

As at the year end the group had entered into capital commitments with various contractors for the development of various projects and entered into promise of sale agreements in connection with the sales of immovable properties of such projects.

Auditor

The auditor of the company, TACS Malta Limited has expressed its willingness to continue in office and a resolution proposing his reappointment will be put before the members at the next annual general meeting.

Approved by the Board of Directors and authorised for issue on 27 April 2021 and signed on its behalf by:

George Muscat
Chairperson

Paul Attard
Director

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

Date : 27 April 2021

Corporate governance - Statement of compliance

1. Introduction

Pursuant to the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, GAP Group p.l.c. is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules.

GAP Group p.l.c. acts as a finance company to the Group and as such has minimal operations. Its primary function is the lending and monitoring of the proceeds of the public bond to the Group. GAP Group p.l.c. has no employees other than the directors and the company secretary.

2. Compliance with the Code

The Board of Directors of GAP Group p.l.c. (The Company) believe in the adoption of the Code and has endorsed it except where the size and/or circumstances of the company are deemed by the Board not to warrant the implementation of specific recommendations.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3, 5.97.6 to 5.97.8

Moreover, the Board also acknowledges that the requirements emanating from Directive 2014/95/EU as published in Circular 05/16 – Transposition of Directive 2014/95/EU do not apply to the company since it does not classify as a 'large company' under the definition of the Directive.

3. The Board of Directors

The board of directors is responsible for the Company's affairs, for the overall direction of the company and being dynamically involved in supervising the systems of control and financial reporting.

The Board meets at least four times annually and is currently composed of six members, three of whom are independent from the Company or related parties.

As at date of this statement, the Board of Directors is composed as follows:

George Muscat (Executive Director)
Paul Attard (Executive Director and Company Secretary)
Adrian Muscat (Executive Director)
Francis Gouder (Non-Executive Director)
Mark Castillo (Non-Executive Director)
Dr Chris Cilia (Non-Executive Director)

There is no CEO role required in the Company due to the nature of the Company and as such the board carries out the policy decisions regarding the Company.

Corporate governance - Statement of compliance (Continued)

4. Committees

i. Audit Committee

In accordance with the Listing Rules, GAP Group p.l.c. has established an Audit Committee, which terms of reference are based on the principles set out by the said Listing Rules. The Audit Committee is entirely composed of independent, non-executive directors. At present, Francis X. Gouder acts as chairperson, whilst Mark Castillo and Dr Chris Cilia LLD act as members. In compliance with the Listing Rules, Francis X. Gouder is the independent Non-Executive Director who is competent in accounting and auditing matters having previously served in various senior positions in several financial institutions.

The committee's primary object is to assist the board in fulfilling its supervisor and monitoring responsibility by reviewing the company's financial statements and disclosures, monitoring the system of internal control established by management as well as the audit process. The audit committee formally convened five times during the financial period ending 31st December 2020.

ii. Remuneration and Nomination Committees

Under present circumstances, the board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level and by the board itself.

iii. Evaluation of the board's performance

Under present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the board's performance is constantly under the scrutiny of the shareholders of the company.

5. Remuneration Statement

In terms of Rule 8.A.4 of the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules of the Listing Authority (the "Code"), the Company is to include a remuneration statement in its annual report which should include details of the remuneration policy of the Company in respect of the financial packages of members of the Board of Directors of the Company.

The remuneration payable to directors of the Company consists of fixed remuneration only. No part of the remuneration paid to the directors is performance-based and none of the directors (in their capacity as directors of the Company) are entitled to profit-sharing, share options or pension benefits. The directors do not receive any form of monetary or non-monetary perks or benefits. There were no changes to this policy from the previous year and the Company does not intend to change the policy in the foreseeable future.

Remuneration paid to the Directors by the subsidiaries of the Company for the period from 1st January 2020 to 31st December 2020 amounted to €155,744.

Corporate governance - Statement of compliance (Continued)

6. Internal Control

While the Board is ultimately responsible for the company's internal controls as well as their effectiveness, authority to operate the company is delegated to the Executive Directors. The company's system of internal controls has been drawn up through the Internal Control Manual to manage risks in the most appropriate manner. Procedures are in place for the Company to control, monitor and assess risks and their implications through ongoing cash flow monitoring reports and strategic plans which are presented to the Executive Directors.

7. Relations with the market

The market and bondholders alike are kept up to date with all relevant information, the Annual Report and Financial statements, as well as, via company announcements made through the Malta Stock Exchange.

8. Institutional shareholders

This principle is not applicable since the company has no institutional shareholders.

9. Conflicts of interest

The directors always act in the interest of the Company and its shareholders. If any director has a conflict of interest, he will not be allowed to vote on the matter at hand. Furthermore, the board of directors and management of the company is in compliance with the obligations towards the rules of Insider Dealing.

10. Corporate Social Responsibility

The Group adhered to accepted principles of corporate social responsibility in its day to day practices by acting ethically in the day to day management of the business and strives to improve the quality of life of the workforce as well as of the society at large. The Group also regularly supports charitable causes

Approved by the Board of Directors and authorised for issue on 27 April 2021 and signed on its behalf by:

George Muscat
Chairperson

Paul Attard
Director

Independent auditor's report

To the Shareholders of Gap Group p.l.c.

Report on the Audit of the Financial Statements for the year ended 31st December 2020.

Opinion

I have audited the parent company financial statements and the consolidated financial statements (the "financial statements") of Gap Group plc (the "Company") and its subsidiaries (together, the "Group"), set on pages 14 to 45 which comprise the statement of financial position as at 31st December 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Gap Group p.l.c. and its Group as at 31st December 2020, and of the Company's and its Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

My opinion on the audit of the financial statements is consistent with the additional report to the audit committee.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

To the best of my knowledge and belief I have not provided any of the prohibited services as set out in the Accountancy Profession Act.

My audit approach

Scope and timing of the Group audit engagement

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

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

Levels of materiality and methodology used for the group audit engagement

The overall group materiality amounted to €1,038,953 which represents 1% of the consolidated total assets. I chose total assets as the accepted point of reference to the users of the financial statements as it is most commonly used. I chose 1% as it is within the range of acceptable quantitative materiality thresholds in auditing standards.

Independent auditor's report

To the Shareholders of Gap Group p.l.c.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the current period. These matters are addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. The following is the key audit matter indentified.

Valuation of inventory

The Group consists of companies holding immovable property for development and resale. Three bonds were issued to the public to enable the Company to acquire shares of property development companies and to provide further finance to the group companies to carry on further development. At 31 December 2020, the carrying amount of immovable property held by the Group as inventory represented 60% of total assets.

At Company level, the carrying amount of inventory represents the cost of the land, development costs and borrowing costs.

At Group level, the acquisition method of accounting is applied to account for business combinations. Identifiable assets and liabilities assumed by the business combination are therefore initially measured at their fair values at the acquisition date. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

The carrying value of inventories as at 31 December 2020 is explained in note 15 which discloses the composition of the Inventories, including the fair value adjustment on the acquisition of subsidiaries. At year end, the directors assess whether inventory is carried at the lower of cost and net realisable value.

Inventory valuation has been identified as a key audit matter because of the significance of the carrying value of inventories in the Group's Statement of Financial Position and the judgemental nature of the assumptions used by the directors in the assessment described above.

My other audit procedures included:

- Audit procedures carried out to verify cost included testing over source documentation, including vouching costs incurred to date, a review of labour costs and a re-calculation of borrowing costs.
- An assessment was made of the reasonableness of cost of property reversed from inventory upon the sale of property.
- Audit procedures carried out in relation to net realisable value included a comparison of estimated selling price to recent market transactions and to similar property on the market and an assessment of the reasonableness of estimated costs to completion.
- I also evaluated the appropriateness as audit evidence of the valuation carried out by an independent valuer.
- I evaluated the adequacy of related disclosures in the financial statements.

The assessment of the net realisable value of the immovable property does not include COVID-19 implications.

Based on my audit work I concluded that the inventories were fairly stated.

Independent auditor's report

To the Shareholders of Gap Group p.l.c.

Information other than the Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the Directors' Report, the Statement of Compliance with the Principles of Good Corporate Governance and the Statement of the Directors' Responsibilities.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

With respect to the Directors' report, I also considered whether the Director's report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386). Pursuant to listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, I am required to review the directors' statement in relation to going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Director's Report, in my opinion, based on the work undertaken in the course of the audit:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- The Directors' Report has been prepared in accordance with applicable legal requirements; and
- I have nothing to report in relation to the statement on going concern.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' report and other information that we obtained prior to the date of the auditor's report. We have nothing to report in this regard.

Responsibilities of the Directors and the Audit Committee

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Independent auditor's report

To the Shareholders of Gap Group p.l.c.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern and future events or conditions may cause the company to cease to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Audit Committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

Independent auditor's report

To the Shareholders of Gap Group p.l.c.

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company's annual financial report a Corporate Governance Statement explaining the extent to which they have adopted the Code of Principles of Good Corporate Governence set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Listing Rule 5.97.

My responsibility is laid down by Listing Rule 5.98, which requires the auditor to include a report to shareholders on the Corporate Governance Statement in the Company's annual financial report.

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

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

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

Report on Other matters relating to the Companies Act

I am also responsible under the Companies Act (Cap. 386), to report to you if, in my opinion:

- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches visited by me.
- The financial statements are not in agreement with the accounting records and returns.
- I have not received all the information and explanations I require for my audit.

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

Appointment

TACS Malta Limited was appointed as auditor of the company by the shareholders of the company on 20 November 2020 to carry out the audit for the first year ended 31 December 2020.

This copy of the audit report has been signed by
Pamela Fenech (Director) for and on behalf of

TACS Malta Limited

Certified Public Accountant
Registered Auditor

1, Tal-Providenza Mansions
Main Street
Balzan
Malta
Date: 27 April 2021

INCOME STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2020

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
		€	€	€	€
Turnover	3	23,785,928	28,286,610	-	-
Cost of sales		(13,599,107)	(20,499,676)	-	-
Gross Profit		10,186,821	7,786,934	-	-
Administrative expenses		(1,167,442)	(1,650,092)	(86,686)	(104,503)
Operating profit / (loss)	4	9,019,379	6,136,842	(86,686)	(104,503)
Finance costs	6	(4,027,235)	(3,492,616)	(2,605,474)	(3,828,576)
Investment income	7	591,628	728,782	2,880,773	2,827,041
Profit / (Loss) before taxation		5,583,772	3,373,008	188,613	(1,106,038)
Tax expense	8	(1,481,582)	(2,244,542)	(44,821)	(51,731)
Profit / (loss) for the year		4,102,190	1,128,466	143,792	(1,157,769)

STATEMENT OF COMPREHENSIVE INCOME

	Group 2020	Group 2019	Company 2020	Company 2019
Other comprehensive income				
Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable	(123,226)	157,130	(119,646)	37,880
Other comprehensive income for the year	(123,226)	157,130	(119,646)	37,880
Total Comprehensive income	3,978,964	1,285,596	24,146	(1,119,889)
Earnings per share	1.64	0.45	0.06	0.00

The notes on pages 19 to 45 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2020

		Group		Company	
	Notes	2020	2019	2020	2019
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	10	22,999	32,002	3,250	4,250
Investment in subsidiaries	11	-	-	34,338,574	34,333,574
Investments	12	6,096,900	6,011,880	6,096,900	6,011,880
Other financial assets	13	16,862,196	10,135,068	14,396,415	7,665,707
		22,982,095	16,178,950	54,835,139	48,015,411
Current assets					
Inventory - Development project	15	62,648,918	48,958,334	-	-
Trade and other receivables	16	4,284,408	2,521,677	41,215,658	25,544,645
Cash and bank balances	17	13,961,280	20,195,539	12,938,782	17,985,525
Income Tax refundable		18,563	31,839	-	-
		80,913,169	71,707,389	54,154,440	43,530,170
Total Assets		103,895,264	87,886,339	108,989,579	91,545,581

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2020 (continued)

		Group		Company	
	Notes	2020	2019	2020	2019
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	2,500,000	2,500,000	2,500,000	2,500,000
Subordinated shareholders' loan - Quasi equity	20	2,500,000	2,500,000	2,500,000	2,500,000
Revaluation reserve	21	433,964	557,190	(1,766)	117,880
Retained earnings / (Accumulated losses)		9,699,719	5,597,529	(569,019)	(712,812)
Total equity		15,133,683	11,154,719	4,429,215	4,405,068
Non-current liabilities					
Bank loans	22	7,731,890	6,135,750	-	-
Other financial liabilities	23	4,907	4,907	-	-
Debt securities in issue	22	69,864,157	56,990,901	69,864,157	56,990,901
Total non-current liabilities		77,600,954	63,131,558	69,864,157	56,990,901
Current liabilities					
Bank overdraft and loans	22	500,205	-	500,000	-
Trade and other payables	23	10,002,952	10,990,174	1,285,940	1,328,679
Other financial liabilities	23	657,470	2,609,887	32,902,122	28,812,786
Taxation due		-	1	8,145	8,147
Total current liabilities		11,160,627	13,600,062	34,696,207	30,149,612
Total liabilities		88,761,581	76,731,620	104,560,364	87,140,513
Total equity and liabilities		103,895,264	87,886,339	108,989,579	91,545,581

The notes on pages 19 to 45 are an integral part of these financial statements.

The financial statements on pages 14 to 45 were approved by the board of directors and were signed on its behalf by:

George Muscat
Chairperson

Paul Attard
Director

Date : 27 April 2021

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2020

	Note	Share Capital €	Quasi Equity €	Revaluation Reserve €	Profit and Loss Account €	Total €
Group						
Balance at 1st January 2019		2,500,000	2,500,000	400,060	4,469,063	9,869,123
Comprehensive income						
Profit for the year		-	-	-	1,285,596	1,285,596
Revaluation reserve	21	-	-	157,130	(157,130)	-
Balance at 31st December 2019		2,500,000	2,500,000	557,190	5,597,529	11,154,719
Balance at 1st January 2020		2,500,000	2,500,000	557,190	5,597,529	11,154,719
Comprehensive income						
Profit for the year		-	-	-	3,978,964	3,978,964
Revaluation reserve	21	-	-	(123,226)	123,226	-
Balance at 31st December 2020		2,500,000	2,500,000	433,964	9,699,719	15,133,683
Company						
Balance at 1st January 2019		2,500,000	2,500,000	80,000	444,959	5,524,959
Comprehensive income						
Loss for the year		-	-	-	(1,119,890)	(1,119,890)
Revaluation reserve	21	-	-	37,880	(37,880)	-
Balance at 31st December 2019		2,500,000	2,500,000	117,880	(712,811)	4,405,069
Balance at 1st January 2020		2,500,000	2,500,000	117,880	(712,811)	4,405,069
Comprehensive income						
Profit for the year		-	-	-	24,146	24,146
Revaluation reserve	21	-	-	(119,646)	119,646	-
Balance at 31st December 2020		2,500,000	2,500,000	(1,766)	(569,019)	4,429,215

The notes on pages 19 to 45 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash flows from operating activities				
Net profit / (loss) before taxation	5,583,772	3,373,008	188,613	(1,106,038)
Adjustments for:				
Depreciation	9,004	8,621	1,000	2,000
Investment income	(591,628)	(728,782)	(2,880,773)	(2,827,041)
Interest expenses	4,027,235	3,492,616	2,605,474	3,828,575
Fair value gain on interest-free long term receivable	(123,226)	157,130	(119,646)	37,880
Operating profit / (loss) before working capital changes	8,905,157	6,302,593	(205,332)	(64,624)
Trade and other receivables	406,906	(767,996)	5,750,826	(5,796,429)
Inventory - Development Project	(13,690,584)	(26,172,033)	-	-
Trade and other payables	(987,222)	6,049,599	(42,739)	887,052
Cash generated from operations	(5,365,743)	(14,587,837)	5,502,755	(4,974,001)
Interest payable	(4,027,235)	(3,492,616)	(2,605,474)	(3,828,575)
Income tax paid	(1,468,307)	(2,236,576)	(44,823)	(43,771)
Net cash from / (used in) operating activities	(10,861,285)	(20,317,029)	2,852,458	(8,846,347)
Cash flows from investing activities				
Purchase of fixed assets	(1)	(10,835)	-	-
Investments (net)	(85,020)	(1,924,380)	(90,020)	(16,523,422)
Investment income	591,628	728,782	2,880,773	2,827,041
Net cash from / (used in) investing activities	506,607	(1,206,433)	2,790,753	(13,696,381)
Cash flows from financing activities				
Shareholders' loans	(1,900,059)	2,468,066	(1,678,026)	3,014,260
Related parties	(2,221,995)	(2,207,213)	(15,654,476)	5,089,809
Bank loans (net)	1,596,140	6,135,750	-	-
Bonds and debentures	12,873,256	17,517,667	12,873,256	17,517,667
Other loans	(6,727,128)	3,480,769	(6,730,708)	1,196,413
Net cash (used in) / from financing activities	3,620,214	27,395,039	(11,189,954)	26,818,149
Movement in cash and cash equivalents	(6,734,464)	5,871,577	(5,546,743)	4,275,421
Cash and cash equivalents at beginning of the year	20,195,539	14,323,962	17,985,525	13,710,104
Cash and cash equivalents at end of the year (note 17)	13,461,075	20,195,539	12,438,782	17,985,525

The notes on pages 19 to 45 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

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

1.1 Basis of preparation

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

Going Concern

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak to be a global pandemic. The local authorities responded by introducing measures aimed at containing the spread of the virus and minimising fatalities.

The Group continued to operate with minimal disruption. The order book slowed down during the first few months of the pandemic but demand eventually picked up and reached pre-pandemic levels towards the year-end.

The directors have conducted an impact assessment on the Group of the pandemic and concluded that it did not negatively affect operations. The directors consider the going concern assumption in the preparation of these financial statements to remain applicable at the date of approval of these financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgements in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2020

The Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The Group does not expect that new standards, interpretations and amendments will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.2 Segment reporting

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

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in euro, which is the company's functional currency and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities, are reported as part of the fair value gain or loss.

1.4 Financial assets

1.4.1 Classification

The Group classifies it's financial assets as measured at amortised cost, as designated at fair value through other comprehensive income (FVOCI) and as designated at fair value through profit or loss (FVTPL). The classification is based on the business model in which a financial asset is managed and its contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.4 Financial assets - (continued)

1.4.2 Recognition and measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

i. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principle and Interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

i. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.4 Financial assets - (continued)

1.4.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

i. debt securities that are determined to have low credit risk at the reporting date; and
ii. other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due date and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument: 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficult of the borrower or issuer or a breach of contract such as default or being more than 90 days past due date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Simplified approach model

For loans and trade and other receivables, the Group applies the simplified approach required by IFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.5 Consolidation

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

The company acquired the shares in its subsidiaries during the period ended 31st December 2016, the period ended 31st December 2019 and the period ended 31 December 2020. The subsidiaries aquired during the years 2016 and 2019 were acquired at the net asset value of the subsidiaries existing and adjusted with the increase in the value of the immovable property arising from a revaluation of the immovable property at market value. The subsidiary aquired during the year 2020 was acquired at the net asset value of at the date of acquisition.

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

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

1.6 Share Capital

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

1.7 Offsetting financial instruments

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

1.8 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.9 Revenue and cost recognition

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

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the company, are treated as payments received on account and presented within trade and other payable.

Other operating income consisting of the following is recognised on an accruals basis:
Interest
Dividends receivable are accounted for on a cash basis

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use is completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalized as part of its cost. Borrowing costs are capitalized which acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. All other borrowing costs are recognized as an expense in the profit and loss account in the period as incurred.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.11 Trade and other payables

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

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

1.12 Other financial liabilities

Other financial liabilities are recognized initially at fair value of proceeds received, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of other borrowings is recognised in profit or loss over the term of the borrowings, unless the interest on such borrowings is capitalised in accordance with the company's accounting policy on borrowing costs.

Repurchases of Bonds issued by the company - If the company repurchases a part of a financial liability, the company allocates the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised shall be recognised in profit or loss.

1.13 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and subsequently stated at cost less depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation is provided for on the straight line method in order to write off cost over the expected useful economic lives of the assets as follows:

	Years
Plant & Machinery	8
Computer & Off. Equip.	4
Motor Vehicles	5
Furniture & Fittings	10

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.14 Inventory - Development project

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

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

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

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

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

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

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

As stated in note 1.5 the Group accounts for business combinations using the acquisition method. Accordingly, at group level, the identifiable net assets acquired, including inventory held by the newly-acquired subsidiary, are measured at fair value as at date of acquisition of subsidiary. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Summary of significant accounting policies

1.15 Cash and cash equivalents

Cash and cash equivalents as shown in the cashflow statement comprise cash in hand and deposits repayable on demand less bank overdrafts. Bank overdrafts are included in the statement of financial position as borrowings under current liabilities.

1.16 Current and deferred tax

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

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

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

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

1.17 Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of risks: market risk, economic risk, counter-party risk, credit risk and liquidity risk. Where possible, the board provides principles for overall risk management, as well as policies to mitigate these risks in the most prudent way.

(i) The Group is subject to market and economic conditions generally

The Group is subject to the general market and economic risks that may have a significant impact on the projects of the subsidiaries, the timely completion of the said projects and budgetary constraints. These include factors such as the state of the local property market, inflation, and fluctuations in interest rates, exchange rates, property prices and other economic and social factors affecting demand for real estate generally. If general economic conditions and property market conditions experience a downturn which is not contemplated in the Group's planning during the construction and completion of the projects, this shall have an adverse impact on the financial condition of the Group and the ability of the Company to meet its obligations.

(ii) The property market is a very competitive market that can influence the sales of units in the Projects

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Group operates and targets to sell the remaining units in stock and the properties being developed, may cause sales of units forming part of the projects to sell at prices which are lower than is being anticipated by the Group or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances there is a delay in the tempo of sales envisaged by the Group, they could have a material adverse impact on the Group and the Issuer's ability to meet its obligations.

(iii) The Group depends on third parties in connection with its business, giving rise to counterparty risks

The Group relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of the projects of its subsidiaries. The Group has engaged the services of third party contractors for the development of the projects including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Group's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Group's businesses, and their respective financial condition, results of operations and prospects, that could have a material adverse impact on the Issuer's ability to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Financial risk management - continued

2.1 Financial risk factors - continued

(iv) Material risks relating to real estate development may affect the economic performance and value of the Projects

There are several factors that commonly affect the real estate development industry, many of which are beyond the Group's control, and which could adversely affect the economic performance and value of the Group's projects. Such factors include:

- changes in European and global economic conditions;
- changes in the general economic conditions in Malta;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an oversupply of similar properties;
- a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- changes in the prices, supply of raw materials
- acts of nature that may damage any of the properties or delay development thereof

(v) The Group may be exposed to environmental liabilities attaching to real estate property

The Group may become liable for the costs of removal, investigation, or remediation of any hazardous or toxic substances that may be located on, or in or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Group may also be required to remove or remedy any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have an adverse effect on the Group's operations and financial position.

(vi) Property valuations may not reflect actual market values

The valuations of the properties on which the share acquisitions were based were prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Financial risk management - continued

2.1 Financial risk factors - continued

(vii) General exposure to funding risks

The funding of each project is partly dependent on the proceeds from the gradual sale of the units in each development. If the projected sale of the units is not attained or is delayed, the Group may well not have sufficient funds to complete all the projects within the projected time-frames or to pay the contractors for works performed.

(viii) The Group may be exposed to cost overruns and delays in completion of the projects

Each of the projects being undertaken by the Group is prone to certain risks inherent in real estate development, most notably the risk of completing each project within its scheduled completion date and within the budgeted cost for that development. If either or both risks were to materialise they could have a significant impact on the financial condition of the respective subsidiary and/or the Group, and the ability of the latter to meet its obligations. The risks of delays and cost overruns, could cause actual sales revenues and costs to differ from those projected and which are affected, amongst others, by factors attributable to counter-parties, general market conditions, and competition which are beyond the Group's control. Delays in the time scheduled for completion of one or more of the projects may also cause significant delays in the tempo of the sales forecasted by the Group for units within the Project or Projects affected by such delay, which can have a significant adverse impact on the Group's financial condition and cash flows. Similarly, if any one or more of the projects were to incur significant cost overruns that were not anticipated, the Group may have difficulties in sourcing the funding required for meeting such cost overruns and therefore may risk not completing one or more of the projects, which shall have a material adverse impact on the cash flows generated from sales of units in that Project and a material adverse impact on the financial condition of the specific subsidiary and ultimately the Issuer.

(ix) Foreign Exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Financial risk management - continued

2.2 Financial risk factors - continued

(x) Fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its interest bearing financial instruments.

As at the reporting date, the Company holds available for sale investments which are limited to Corporate bonds and bank deposits. The 4.25% Secured Bonds 2023, the 3.65% Secured Bonds 2022 and the 3.7% Secured Bonds 2023 - 2005 which represent about 90% of the group's third party borrowings are subject to fixed interest rates, whereas the other 10% of the group's third party borrowings are subject to interest rate fluctuations. Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift at the reporting date to be quite contained.

(xi) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's financial obligations and to safeguard the Company's ability to continue as a going concern, in particular to complete of the Group's projects in a timely manner.

On 20 November 2020, the company published a Prospectus for the issue of €21,000,000 secured bonds of a nominal value of €100 each. Part of the net proceeds have been used to finance the acquisition of two plats of land at Qawra and Mosta, whereas the remaining balance will be used to finance the working capital requirements of the two projects during 2021.

In the next 12 months, the group requires to raise further funding to finish the Mosta and the Qawra II Developments. Funds should primarily be raised through the issue of another bond. In the event that the bond will not be issued, or, should it become unfeasible for the Issuer to proceed with a capital market transaction due to prevailing market conditions affecting the demand for the purchase of listed debt instruments of the Issuer, the Group may be required to fund the additional funding through bank finance, own reserves or a mix thereof. There is no certainty that the Group will be able to obtain the full capital it requires, and this may effect the ability of the group to deliver these two projects on time.

Notwithstanding these challenges, the company has ample experience in the industry and has always managed to obtain the appropriate funding and completed projects within pre-determined time-frames.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Financial risk management - continued

(xii) Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern; to maximise the return to stakeholders through the optimisation of the debt and equity balance and to comply with the requirements of the Prospectus issued in relation to the 4.25% Secured Bonds 2023 and the 3.65% Secured Bonds 2022.

The capital structure consists of items presented within equity in the statement of financial position. The company monitors the level of debt against total capital on an ongoing basis.

(xiii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss.

The Group is not significantly exposed to credit risk arising in the course of its principal activity relating to the sale of residential units in view of the way promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery. The Group monitors the performance of the purchases throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery of the residential unit.

Credit risk mainly arises from financial assets held in the Reserve Account, cash and cash equivalents and available for sale investments. Credit risk relating to financial assets is addressed through careful selection of the issuers of securities bought by the Company. All such transactions have been carried out solely by the Company's stockbroker (and Sponsor/Manager of the 4.25% 2023 Secured Bonds and the 3.65% 2022 Secured Bonds). During the year under review, the available for sale investments were limited to purchases in reliable Corporate Bonds (€6.01 Million) whilst the cash at Bank was held with local quality financial institutions (€16.76 Million). The Reserve Account is administered by the Security Trustee of the 4.25% 2023 Secured Bonds and the 3.65% 2022 Secured Bonds issues and funds are held in a bank account of high standing.

Furthermore, the Group manages its credit risk exposure in relation to receivables from fellow companies in an active manner, at arm's length and with accrued interest charges thereon. The Board retains direct responsibility for affecting and monitoring the investments made by the fellow companies. The Board considers these receivables to be fully performing and recoverable.

3 Turnover

Turnover represents the sale of property held for development and resale, and is made up as follows:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Sale of property held for Development and resale	23,785,928	28,286,610	-	-
	23,785,928	28,286,610	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

4 Operating profit / (loss)

The operating profit / (loss) for the year is stated after charging :

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Directors' fees	155,744	155,379	-	-
Employment costs - Note 5	538,626	523,182	-	-
Depreciation - Note 10	9,004	8,621	1,000	2,000
Audit fees - Annual statutory audit	43,057	39,865	7,021	7,021

5 Employees

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Employment costs comprise:				
Wages and salaries - adminstration	134,914	147,970	-	-
Wages and salaries - allocated to cost of sales	374,856	345,262	-	-
Social security costs - administration	6,522	8,985	-	-
Social security costs - allocated to cost of sales	22,334	20,965	-	-
	538,626	523,182	-	-
The average weekly number of persons employed by the group during the year was:	16	18	-	-
Directors' Remuneration	12,002	12,000	-	-
Directors' salary - allocated to cost of sales	143,742	143,379	-	-
	155,744	155,379	-	-

6 Finance costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest and amortisation costs	1,496,427	631,766	2,291,077	2,727,797
Premium on buy-back of Bonds	314,397	1,100,778	314,397	1,100,778
Capitalised interest: Inventories - Property development				
At 1st January	3,251,028	2,354,779	-	-
Brought forward interest capitalised on acquistion of subsidiary	-	584,134	-	-
Interest capitalised during year	1,563,877	2,072,187	-	-
At 31st December	(2,598,494)	(3,251,028)	-	-
Charge of capitalised interest for the year	2,216,411	1,760,072	-	-
	4,027,235	3,492,616	2,605,474	3,828,575

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

7 Investment income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest from Maltese banks	227	569	96	161
Interest receivable from related parties	274,594	359,200	2,565,670	2,457,867
Loan interest - from local sources	316,807	369,013	315,007	369,013
	591,628	728,782	2,880,773	2,827,041

8 Tax expense

The company's income tax charge for the year has been arrived at as follows:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current income tax				
Income tax on taxable income at 15%	44,841	51,792	44,821	51,732
Income tax subject to final tax of 5-8% on sales of immovable property	1,436,741	2,192,750	-	-
Tax charge	1,481,582	2,244,542	44,821	51,732

The accounting profits and the tax charge for the year are reconciled as shown hereunder:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Net profit / (loss) for the year	5,583,772	3,373,008	188,613	(1,106,038)
Income tax thereon at 35%	1,954,320	1,180,553	66,015	(387,113)
Depreciation charges not deductable by way of capital allowances	15	-	-	-
Difference arising from interest received	(32,615)		-	-
Difference resulting from different tax rates on bank interest received	(59,788)	(69,058)	(59,761)	(68,976)
Expenses disallowed for tax purposes	750,544	621,398	38,567	507,821
Difference arising on income subject to 5-8% withholding tax on sales of immovable	(2,050,186)	(831,122)	-	-
Difference arising on adjustment to revaluation of inventories	919,292	1,342,771	-	-
	1,481,582	2,244,542	44,821	51,732

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

9 Fair value adjustment

	Group 2020	Group 2019	Company 2020	Company 2019
	€	€	€	€
Difference arising on amortised cost on interest free loan given to Gap Holdings Limited (note 13)				
Amount as at 31st December	2,465,781	2,469,361	-	-
Amount as at 1st January	(2,469,361)	(2,350,111)	-	-
	(3,580)	119,250	-	-

10 Property, plant and equipment

GROUP

	Plant & Machinery	Computer & Off. Equip.	Motor Vehicles	Furniture & Fittings	Total
	€	€	€	€	€
Cost					
At 1st January 2020	1,836	10,592	54,000	437	66,865
Additons during the year	-	-	-	-	-
At 31st December 2020	1,836	10,592	54,000	437	66,865
Depreciation					
At 1st January 2020	77	10,592	23,800	394	34,863
Charge for the year	460	-	8,500	43	9,003
At 31st December 2020	537	10,592	32,300	437	43,866
At 31st December 2020	1,299	-	21,700	-	22,999
At 31st December 2019	1,759	-	30,200	43	32,002

COMPANY

	Motor Vehicles	Total
	€	€
Cost		
At 1st January 2020	10,000	10,000
Additons during the year	-	-
At 31st December 2020	10,000	10,000
Depreciation		
At 1st January 2020	5,750	5,750
Charge for the year	1,000	1,000
At 31st December 2020	6,750	6,750
At 31st December 2020	3,250	3,250
At 31st December 2019	4,250	4,250

11 Investment in subsidiary undertakings

	Group	Company	
	2020 & 2019	2020	2019
	€	€	€
Shares in subsidiary undertakings			
Geom Developments Limited (C50805) - 2,000 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	10,580,444	10,580,444
Geom Holdings Limited (C64409) - 1,997 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	2,651,130	2,651,130
Gap Gharghur Limited (C72015) - 320,000 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	3,838,626	3,838,626
Gap Mellieha (I) Limited (C72013) - 1,200 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	4,487,174	4,487,174
Gap Group Contracting Limited (C75879) - 1,200 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	1,200	1,200
Gap Luqa Limited (C32225) - 600 ordinary shares of €2.33 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	12,775,000	12,775,000
Gap QM Limited (C96686) - 5,000 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	5,000	-
Total	-	34,338,574	34,333,574

Geom Developments Limited (C50805) is the parent company of Gap Group Finance Limited (C54352) which is the parent company of Manikata Holdings Limited (C53818) and Gap Properties Limited (C47928). The group owns all the shares with the exception of a few shares which are owned by third parties. The amount attributable to the minority interest is reflected in note 23.

The principal activity of all the subsidiaries, except for Gap Group Contracting Limited, is the acquisition of property for development and resale. The activity of Gap Group Contracting Limited is to provide services to the entities within the Group related to their trading acivity.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

12 Investments

Investments -FVOCI	Interest rate	Redemption date	Group	Company
			2019	
			€	€
Corporate Bonds	3.75%	2026	2,090,000	2,090,000
Corporate Bonds	4.00%	2027	510,000	510,000
Corporate Bonds	3.65%	2029	911,880	911,880
Corporate Bonds	3.80%	2029	2,500,000	2,500,000
			6,011,880	6,011,880

Investments -FVOCI	Interest rate	Redemption date	Group	Company
			2020	
			€	€
Corporate Bonds	3.75%	2026	2,010,000	2,010,000
Corporate Bonds	3.85%	2028	700,000	700,000
Corporate Bonds	3.65%	2029	911,900	911,900
Corporate Bonds	3.80%	2029	2,475,000	2,475,000
			6,096,900	6,096,900

13 Other financial assets

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Amount receivable from Gap Holdings Limited - Maturity date 2023	2,465,781	2,469,361	-	-
Amount receivable from Gap Holdings Limited - Maturity date 2023	7,916,188	7,641,594	7,916,188	7,641,594
Funds held by trustee for the redemption of the 2022 and 2023 Bonds	2,107,227	24,113	6,480,227	24,113
Funds held by trustee relating to the 2023-2025 Bonds	4,373,000	-	-	-
	16,862,196	10,135,068	14,396,415	7,665,707

During the year 2020, the amount due by Gap Holdings Limited of €2,465,781 (2019 - €2,469,361) is non-interest bearing and is expected to be repaid by December 2025 (2019 - December 2023). The nominal amount of the loan is €3,000,000.

The amount due by Gap Holdings Limited of €7,916,188 (2019 - €7,641,594) is expected to be repaid by December 2025 and is unsecured. The amount receivable bears interest at 3.7% per annum (2019 - 3.7% per annum).

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

14 Reserve Account

	2020	2019
	€	€
The reserve fund is made up as follows:		
Amount advanced by the trustee as part of the Investments listed under Investments (See Note 12) and bank deposits listed under Cash and cash equivalents (See Note 17) held for the redemption of the 2022 and 2023 Bond	17,998,116	18,533,900
Funds held by trustee for the redemption of the 2022 and 2023 Bonds listed under Other financial assets (See Note 13)	2,107,227	24,113
	20,105,343	18,558,013

15 Inventory - Development project

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Property cost of land and development costs	51,303,412	34,333,745	-	-
Capitalised borrowing costs (refer to note 6)	2,598,494	3,251,028	-	-
Fair value adjustment on acquisition of subsidiaries	23,032,927	23,032,927	-	-
Fair value adjustment reversed on sale of property	(14,285,915)	(11,659,366)	-	-
	62,648,918	48,958,334	-	-

16 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Amounts receivable	651,283	1,055,479	-	2,065
Amounts due from group companies	-	-	41,086,865	19,392,443
Amount due from related parties	3,577,216	1,407,579	72,884	345,468
Accrued interest receivable	55,909	58,601	55,909	5,804,669
Other taxation	-	18	-	-
	4,284,408	2,521,677	41,215,658	25,544,645

The amounts due from the group companies and the related parties are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

17 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash in hand	146,243	67,488	-	-
Cash at bank	1,915,588	3,364,400	1,039,333	1,221,874
Bank deposits	11,899,449	16,763,651	11,899,449	16,763,651
	13,961,280	20,195,539	12,938,782	17,985,525
Bank overdraft	(500,205)	-	(500,000)	-
	13,461,075	20,195,539	12,438,782	17,985,525

18 Share capital

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Authorised				
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000	2,500,000	2,500,000
	2,500,000	2,500,000	2,500,000	2,500,000
Issued and fully paid up				
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000	2,500,000	2,500,000
	2,500,000	2,500,000	2,500,000	2,500,000

19 Earnings per share

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Profit / (loss) for the year	4,102,190	1,128,466	143,792	(1,157,770)
Weighted average share in issue	2,500,000	2,500,000	2,500,000	2,500,000
Earnings per share	1.64	0.45	0.06	0.00

The company has not issued any dilutive instruments in the past, and therefore the basic and diluted earnings per share are equal.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

20 Subordinated shareholders' loan - Quasi equity

	Group and Company	
	2020	2019
	€	€
Shareholders' loan	2,500,000	2,500,000
	2,500,000	2,500,000

The shareholders' loan, classified as "Subordinated shareholders' loan - Quasi equity" was advanced to the company by the shareholders in accordance with the Prospectus issued for the raising of funds through a bond issue (see note 22). The amount is interest free and is only repayable to the shareholders after the settlement of the amount due to the Bond holders.

21 Revaluation reserve

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Gain on amortisation of long term interest free loan receivable (see note 9)	435,730	439,310	-	-
Gain on revaluation of Investments at year end rates	(1,766)	117,880	(1,766)	117,880
	433,964	557,190	(1,766)	117,880

22 Borrowings

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Short term - falling due within one year				
Bank overdrafts	500,205	-	500,000	-
Total short term borrowings	500,205	-	500,000	-

22 Borrowings (Continued)

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Long term - falling due after one year				
Bank loans	7,731,890	6,135,750	-	-

A subsidiary within the group has a loan of €1,908,000 (2019 - €1,908,000) which bears interest at 4% per annum and is repayable by the year 2022 from sale proceeds of immovable properties. Another subidiary within the group has another loan of €5,823,890 (2019 - €4,227,750) which bears interest at 4.25% per annum and is repayable by the year 2023 from sale proceeds of immovable properties.

The facilities are secured by a general and special hypothecs on the immovable properties of the relative subsidiaries.

Bonds				
4.25% Secured Bonds 2023	19,247,300	19,643,000	19,247,300	19,643,000
3.65% Secured Bonds 2022	30,367,500	37,901,900	30,367,500	37,901,900
3.7% Secured Bonds 2023 - 2025	21,000,000	-	21,000,000	-
	70,614,800	57,544,900	70,614,800	57,544,900
Amortised cost				
Issue of bond costs	1,181,530	1,265,431	1,181,530	738,665
Issue of bond costs amortised	(430,887)	(711,432)	(430,887)	(184,666)
	750,643	553,999	750,643	553,999
Amortised cost	69,864,157	56,990,901	69,864,157	56,990,901

During the year on 20 November 2020, the company issued a Prospectus for the issue of a 21,000,000 bond having a nominal value of €1 each which was fully subscribed. The Bond is redeemable at par on any date falling between 18 December 2023 and 17 December 2025, at the sole option of the Issuer.

The net proceeds have been used to finance the acquisition of two plots of land at Mosta and Qawra for development of apartments and garages.

The 4.25% Secured Bonds 2023 are redeemable at par on the 3 October 2023, the 3.65% Secured Bonds 2022 are redeemable at par on the 5 April 2022 and 3.7% Secured Bonds 2023 - 2025 may be redeemed between 18 December 2023 and 17 December 2025. These bonds are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

i. Second ranking general hypothec over all the assets of the Issuer and over all the present and future property of the Issuer.

ii. First ranking general hypothec over all present and future assets of the company and of GAP Luqa Limited and Gap GM Limited

iii. First ranking special hypothec over all present and future assets of the company and over the Luqa Development and the Mosta and Qawra Development of Gap GM Limited.

iv. First ranking special hypothec over Block A to Block E of the Mellieha Development.

The Company's bonds are included on the official list of the Malta Stock Exchange

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

23 Creditors

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Trade and other payables				
Trade creditors and accruals	7,086,171	8,096,084	1,285,940	1,328,679
Advance deposits received on promise of sale agreements	2,879,871	2,894,044	-	-
Other taxation	36,910	46	-	-
	10,002,952	10,990,174	1,285,940	1,328,679
Other financial liabilities				
Amounts due to shareholders	657,470	2,557,529	1,408,257	3,015,460
Amounts due to subsidiaries	-	-	31,493,865	25,797,326
Directors' current accounts	-	52,358	-	-
	657,470	2,609,887	32,902,122	28,812,786
Non-current liabilities				
Minority interests	4,907	4,907	-	-
	4,907	4,907	-	-
Total trade and other creditors	10,665,329	13,604,968	34,188,062	30,141,465

The amounts due to the group companies and the related parties are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

24 Transactions with related parties

All companies forming part of Gap Group p.l.c. are considered by the directors to be part of the group of Companies. Companies having the same shareholders and directors are considered by the directors to be related parties.

During the course of the year the company entered into transactions with related undertakings all of which arise in the ordinary course of business. The related party transactions were :

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Other financial assets				
Amounts receivable from related companies	10,381,969	10,110,955	7,916,188	7,641,594
Trade and other receivables				
Amounts due from group companies	-	-	41,086,865	19,392,443
Amounts due from related companies	3,577,216	1,407,579	72,884	345,468
Amounts due to subsidiaries	-	-	31,493,865	25,797,326
Investment Income				
Interest receivable from related parties	274,594	359,200	2,565,670	2,457,867
Other financial liabilities				
Amounts due to shareholders	657,410	2,557,529	1,408,257	3,015,460

25 Contingent liabilities

One of the companies within the Group, Geom Developments Limited is involved in a pending court case which might lead to litigation costs amounting to circa Eur75,000. Consequently this was disclosed as a contingent liability.

As at 31 December 2020, the Group had bank guarantees amounting to €168,506 in favour of third parties.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

26 Capital commitments

As at December 2020, the company has entered into promise of sale agreements with advance deposits amounting to €2,879,871 (2019 - €2,894,044). These agreements are expected to generate sales amounting to €28,798,710 (2019 -€20,751,050).

27 Statutory information

Gap Group p.l.c. is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema Slm 3060.

The parent company of Gap Group p.l.c is Gap Group Investments II Limited, a company registered in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema Slm 3060.