

GAP GROUP p.l.c.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2018

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30th JUNE 2018

This interim report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by GAP Group p.l.c. (the 'Company') in its published annual report. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30th June 2018, as approved by the Board of Directors on the 29 August 2018 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Principal Activities

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

Review of business

Works on the developments progressed in a timely manner and within set timeframes. The Company continued to sign new preliminary agreements at a steady pace whilst the first contracts from the Mellieha and Gharghur developments were signed during Q2 2018.

The Mellieha development

By the end of the financial period under review, the first two blocks (Blocks I & J) were fully completed and in line with the projected completion target date whilst circa 90% of the construction work on the second two blocks (Blocks G & H) had been achieved. Trade works on the latter was at a level of circa 60% completion. Moreover, construction works on the third two blocks (Blocks E & F) was also progressing well with circa 60% achieved whilst trade works were in the initial stages at 10%. Construction on the remaining blocks (Blocks A to D) had also commenced with circa 20% completion attained. Full completion of Blocks G & H and Blocks E & F is envisaged by Q3 2018 and Q1 2019 respectively.

During Q2 2018, the Company contracted the sale of 10 Apartments (from Blocks I & J) and 9 Garages. Moreover, during the first six months of 2018, signed (uncontracted) preliminary agreements increased to 51 Apartments and 67 Garages.

This means that 63.54% of the residential units available on the market (Blocks E to J) have been committed, out of which 10.42% have been contracted. When compared to the total residential units of the development, 40.12% of the units have been committed, out of which 6.58% have been contracted. With regards to Garages, a total of 43.68% have been committed, out of which 5.17% have been contracted. Total sales to date from the Mellieha development amount to €22.7 Million (inclusive of sales commissions).

The Gharghur Development

By the end of June 2018, construction works were fully completed whilst some minor finishes were being concluded. This suggests that the completion of this project has been accomplished ahead of schedule. In fact, 4 residential units and 7 garages have been contracted by the end of June 2018.

The rest of the uncontracted residential units are all committed by way of a preliminary agreement whilst 41 out of the 44 garages are also subject to preliminary agreements.

Directors' report - continued

The Qawra Development (Blocks A, B and C only)

The project was completed in 2017. More contracts were signed during the first six months of 2018, bringing the total number of contracted apartments and garages to 53 (86%) and 33 (57%) respectively. The remaining uncontracted apartments are all committed whilst 57% of the remaining uncontracted garages are subject to preliminary agreements.

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. Only Blocks A, B and C have been subject to hypothecation against the issue of the Secured Bonds.

The Żebbuġ Development

The project was completed in 2017 and all the apartments were contracted by the end of Q2 2017. The only uncontracted stock relates to 22 garages and 1 retail unit. As at the end of June 2018, the latter together with 50% of the garages were subject to preliminary agreements.

Reserve Account

Pursuant to the bond prospectus, a reserve account had been created by the Security Trustee to cover for the redemption of the 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 Account.

By the end of June 2018, the Reserve Account carried a balance of €8,731,961.

Moreover, and unless any of the signed preliminary agreements (pertaining to the hypothecated properties) are rescinded, a further amount of €13,604,509 will eventually be deposited in the Reserve Account upon the eventual signing of the final deeds. This amount represents the aggregate amount to be waived on the units which are presently subject to a preliminary agreement.

Therefore, the total amount of €22,336,470 amounts to 55.84% of the total bond repayment, of which 21.83% is in cash and forms part of the Reserve Account.

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

Directors' report - continued

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.

Directors' Statement pursuant to Listing Rule 5.75.3

The directors confirm that to the best of their knowledge:

- The condensed interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair value of the financial position of the company as at 30th June 2018, and its financial performance and cash flows for the period then ended.
- The Interim Directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

Directors' report - continued

Approved by the Board of Directors and authorised for issue on 29 August 2018 and signed on its behalf by:


George Muscat
Chairperson

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

Date : 29 August 2018


Paul Attard
Director

INCOME STATEMENT

FOR THE PERIOD ENDING 30th JUNE 2018

	Group		Company	
	Jan - Jun 2018 Unaudited €	Jan - Dec 2017 Audited €	Jan - Jun 2018 Unaudited €	Jan - Dec 2017 Audited €
Turnover	8,670,900	14,981,900	-	-
Cost of sales	<u>(6,533,136)</u>	<u>(11,154,162)</u>	-	-
	2,137,764	3,827,738	-	-
Administrative expenses	<u>(514,710)</u>	<u>(934,934)</u>	<u>(34,659)</u>	<u>(9,336)</u>
Operating profit / (loss)	1,623,054	2,892,804	(34,659)	(9,336)
Finance costs	<u>(455,217)</u>	<u>(1,460,001)</u>	<u>(898,463)</u>	<u>(1,810,898)</u>
Investment income	<u>324,819</u>	<u>349,499</u>	<u>1,082,782</u>	<u>2,086,029</u>
Profit before taxation	1,492,656	1,782,302	149,660	265,795
Tax expense	<u>(729,663)</u>	<u>(1,196,960)</u>	<u>(11,360)</u>	<u>(39,986)</u>
Profit for the period/year	<u>762,993</u>	<u>585,342</u>	<u>138,300</u>	<u>225,809</u>

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income

Fair value gain on interest free long term loan receivable	<u>53,301</u>	<u>106,602</u>	-	-
Other comprehensive income for the period/year	<u>53,301</u>	<u>106,602</u>	-	-
Total Comprehensive income	<u>816,294</u>	<u>691,944</u>	<u>138,300</u>	<u>225,809</u>
Earnings per share	<u>0.31</u>	<u>0.23</u>	<u>0.05</u>	<u>0.09</u>

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2018

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	Unaudited	Audited	Unaudited	Audited
	€	€	€	€
ASSETS				
Non-current assets				
Property, plant and equipment	8,415	10,331	7,375	8,250
Investment in subsidiaries	-	-	21,242,032	21,242,032
Investments - available for sale	11,208,992	10,371,800	9,701,492	8,864,300
Loans and other receivables	12,076,176	10,761,453	7,494,061	6,220,301
	<u>23,293,583</u>	<u>21,143,584</u>	<u>38,444,960</u>	<u>36,334,883</u>
Current assets				
Inventory - Development project	37,109,762	33,700,954	-	-
Trade and other receivables	1,511,030	819,295	16,579,298	20,531,267
Cash and bank balances	1,212,177	1,202,707	2,460	3,014
Income Tax refundable	54,349	39,773	-	-
	<u>39,887,318</u>	<u>35,762,729</u>	<u>16,581,758</u>	<u>20,534,281</u>
Total Assets	<u>63,180,901</u>	<u>56,906,313</u>	<u>55,026,718</u>	<u>56,869,164</u>

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2018 (continued)

	Group		Company	
	30 Jun 2018 Unaudited €	31 Dec 2017 Audited €	30 Jun 2018 Unaudited €	31 Dec 2017 Audited €
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	2,500,000	2,500,000	2,500,000	2,500,000
Subordinated shareholders' loan - Quasi equity	2,500,000	2,500,000	2,500,000	2,500,000
Fair value reserve	261,429	208,128	-	-
Retained earnings	2,251,009	1,488,016	369,249	230,948
Total equity	7,512,438	6,696,144	5,369,249	5,230,948
Non-current liabilities				
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	39,417,785	39,362,336	39,417,785	39,362,336
Total non-current liabilities	39,422,692	39,367,243	39,417,785	39,362,336
Current liabilities				
Bank overdraft and loans	518,818	22,067	-	-
Trade and other payables	15,665,065	10,818,139	8,086,714	7,112,219
Other financial liabilities	2,720	2,720	2,152,970	5,163,456
Taxation due	59,168	-	-	205
Total current liabilities	16,245,771	10,842,926	10,239,684	12,275,880
Total liabilities	55,668,463	50,210,169	49,657,469	51,638,216
Total equity and liabilities	63,180,901	56,906,313	55,026,718	56,869,164


George Muscat
Chairperson


Paul Attard
Director

Date : 29 August 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30th JUNE 2018

	Share Capital €	Quasi Equity €	Fair Value Reserve €	Profit and Loss Account €	Total €
Group					
Balance at 1st January 2017	2,500,000	2,500,000	101,526	902,674	6,004,200
Comprehensive income					
Profit for the year	-	-	-	691,944	691,944
Fair value gain on long term interest free loan receivable	-	-	106,602	(106,602)	-
Transactions with owners					
Issue of share capital	-	-	-	-	-
Subordinated shareholders' loan - Quasi equity	-	-	-	-	-
Balance at 31st December 2017	2,500,000	2,500,000	208,128	1,488,016	6,696,144
Balance at 1st January 2018	2,500,000	2,500,000	208,128	1,488,016	6,696,144
Comprehensive income					
Profit for the period	-	-	-	816,294	816,294
Fair value gain on long term interest free loan receivable	-	-	53,301	(53,301)	-
Balance at 30th June 2018	2,500,000	2,500,000	261,429	2,251,009	7,512,438
Company					
Comprehensive income					
Balance at 1st January 2017	2,500,000	2,500,000	-	5,139	5,005,139
Profit for the year	-	-	-	225,809	225,809
Transactions with owners					
Issue of share capital	-	-	-	-	-
Subordinated shareholders' loan - Quasi equity	-	-	-	-	-
Balance at 31st December 2017	2,500,000	2,500,000	-	230,948	5,230,948
Balance at 1st January 2018	2,500,000	2,500,000	-	230,948	5,230,948
Comprehensive income					
Profit for the period	-	-	-	138,300	138,300
Balance at 30th June 2018	2,500,000	2,500,000	-	369,248	5,369,248

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30th JUNE 2018

	Group		Company	
	Jan - Jun 2018	31 Dec 2017	Jan - Jun 2018	31 Dec 2017
	Unaudited	Audited	Unaudited	Audited
	€		€	
<i>Net cash (used in)/from operating activities</i>	<u>1,647,996</u>	<u>3,250,268</u>	<u>(920,955)</u>	<u>(3,588,894)</u>
<i>Net cash from / (used in) investing activities</i>	<u>(512,923)</u>	<u>567,699</u>	<u>245,590</u>	<u>3,811,729</u>
<i>Net cash (used in) / from financing activities</i>	<u>(1,622,354)</u>	<u>(6,338,533)</u>	<u>674,811</u>	<u>(2,303,880)</u>
Movement in cash and cash equivalents	<u>(487,281)</u>	<u>(2,520,566)</u>	<u>(554)</u>	<u>(2,081,045)</u>
Cash and cash equivalents at beginning of the period/year	<u>1,180,640</u>	<u>3,701,206</u>	<u>3,014</u>	<u>2,084,059</u>
Cash and cash equivalents at end of the period/year	<u><u>693,359</u></u>	<u><u>1,180,640</u></u>	<u><u>2,460</u></u>	<u><u>3,014</u></u>