

GAP GROUP p.l.c.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2020

CONTENTS	PAGE
Directors' Report	1 - 3
Income Statement & Statement of Comprehensive Income	4
Statement of Financial Position	5 - 6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-11

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th JUNE 2020

Interim Directors' report pursuant to Listing Rules 5.75.2

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 2020, as approved by the Board of Directors on the 27 August 2020 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Principal Activities

The principal activity of GAP Group P.L.C. was set up to raise financial resources from the capital market to primarily finance the property development projects of the companies forming part of the group and also to restructure the Group.

Review of business

Works on the developments progressed well and within the scheduled time frames. The 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 Mellieha development

As at 30 June 2020, the entire Mellieha project is complete and fully finished. Out of the 159 residential units, 94 units have been sold (contracted) and a further 24 units were subject to Preliminary agreement as at 30 June 2020. This means that 74% of the residential units were committed, out of which 80% have been contracted as at 30 June 2020.

The Luqa Development

The Luqa Development consists of 268 units which are spread over 5 different zones.

As at 30 June 2020, Zones A and B were fully complete. The construction of Zone C was 70% complete, whilst trade works have just commenced. The construction of Zone D was 35% complete and trade works were yet to commence. With regards to Zone E, excavation works are fully complete and construction works are yet to start. It is envisaged that construction works on all Zones shall be fully complete by Q2 2021 whilst all trade works will be completed by Q3 2021.

As at 30 June 2020, out of the 187 units from the first 3 Zones that were placed on the market, 93 units have been sold (contracted) and a further 86 units were subject to a preliminary agreement.

This means that 96% of the residential units available on the market were committed, out of which 50% have been contracted.

The Marsascala Development

During 2019 one of the subsidiaries acquired a plot of land in Marsascala. As at 30 June 2020 excavation works were 100% complete, construction works were 45% complete, whilst trade works were about to commence.

The project consists of 63 residential units and is envisaged to be fully complete by Q2 2021. As at 30 June 2020, 7 units were subject to a preliminary agreement, which means that 11% of the residential units were committed.

Directors' report - continued

The San Pawl tat-Targa Development

The project consists of 9 residential units and 8 garages. As at 30 June 2020 demolition and excavation works were fully complete, whereas construction works were 20% complete. The apartments were not placed on the market as at the end of the reporting period.

The Birkirkara Development

The project consists of 14 residential units and 9 garages. As at 30 June 2020 demolition and excavation works were fully complete, whereas construction works were 20% complete. The apartments were not placed on the market as at the end of the reporting period.

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

The project was completed in 2017. More residential units were contracted during 2020, bringing the total number of contracted units to 61 (99%). The last remaining unit 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 Zebbug 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. The remaining stock consists of 4 garages.

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023 and the 3.65% Secured Bonds 2022, a reserve account had been created by the Security Trustee to cover for the redemption of both 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 the 30 June 2020, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €17,909,250 (i.e. 92% of the total bond repayment) and the Reserve Account of the 3.65% Secured Bonds 2022 carried a balance of €3,401,702 (i.e. 9% of the total bond repayment).

Principal risks and uncertainties for the remaining six months of the financial year

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.

Events subsequent to the reporting period

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 2020, 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.

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 period and of the profit or loss of the company for the period then ended. In preparing the financial statements, the directors should:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (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 2020, 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.

On behalf of the Board of Directors:



George Muscat
Chairperson



Paul Attard
Director

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

Date: 27 August 2020

INCOME STATEMENT

FOR THE PERIOD ENDED 30th JUNE 2020

	Group		Company	
	2020 Jan - June €	2019 Jan - Dec €	2020 Jan - June €	2019 Jan - Dec €
Turnover	14,392,000	28,286,610	-	-
Cost of sales	<u>(10,035,022)</u>	<u>(20,499,676)</u>	-	-
Gross Profit	4,356,978	7,786,934	-	-
Administrative expenses	<u>(684,507)</u>	<u>(1,650,092)</u>	<u>(40,947)</u>	<u>(104,503)</u>
Operating profit / (loss)	3,672,471	6,136,842	(40,947)	(104,503)
Finance costs	(1,355,538)	(3,492,616)	(1,307,613)	(3,828,576)
Investment income	<u>362,011</u>	<u>728,782</u>	<u>1,563,838</u>	<u>2,827,041</u>
Profit/(loss) before taxation	2,678,944	3,373,008	215,278	(1,106,038)
Tax expense	<u>(985,422)</u>	<u>(2,244,542)</u>	<u>(5,757)</u>	<u>(51,731)</u>
Profit/(loss) for the period/year	<u>1,693,522</u>	<u>1,128,466</u>	<u>209,521</u>	<u>(1,157,769)</u>
STATEMENT OF COMPREHENSIVE INCOME				
Other comprehensive income				
Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable	<u>(27,546)</u>	<u>157,130</u>	<u>(27,546)</u>	<u>37,880</u>
Other comprehensive income for the year / period	<u>(27,546)</u>	<u>157,130</u>	<u>(27,546)</u>	<u>37,880</u>
Total Comprehensive Income/(Loss)	<u>1,665,976</u>	<u>1,285,596</u>	<u>181,975</u>	<u>(1,119,889)</u>
Earnings per share	<u>0.68</u>	<u>0.45</u>	<u>0.08</u>	<u>0.00</u>

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2020

	Group		Company	
	2020 Jan - June €	2019 Jan - Dec €	2020 Jan - June €	2019 Jan - Dec €
ASSETS				
Non-current assets				
Property, plant and equipment	27,023	32,002	3,250	4,250
Investment in subsidiaries	-	-	34,333,574	34,333,574
Investments	6,189,000	6,011,880	6,189,000	6,011,880
Loans and other receivables	10,248,252	10,135,068	8,225,141	7,665,706
	16,464,275	16,178,950	48,750,965	48,015,410
Current assets				
Inventory - Development project	43,134,339	48,958,334	-	-
Trade and other receivables	3,413,938	2,521,677	21,448,525	25,544,645
Cash and bank balances	19,051,709	20,195,539	15,947,617	17,985,525
Income Tax refundable	31,842	31,839	-	-
	65,631,828	71,707,389	37,396,142	43,530,170
Total Assets	82,096,103	87,886,339	86,147,107	91,545,580

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2020 (continued)

	Group		Company	
	2020 Jan - June €	2019 Jan - Dec €	2020 Jan - June €	2019 Jan - Dec €
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
Revaluation reserve	529,644	557,190	90,334	117,880
Retained earnings/Accumulated losses	7,291,051	5,597,529	(503,290)	(712,812)
Total equity	12,820,695	11,154,719	4,587,044	4,405,068
Non-current liabilities				
Bank loans	6,930,710	6,135,750	-	-
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	55,699,812	56,990,901	55,699,812	56,990,901
Total non-current liabilities	62,635,429	63,131,558	55,699,812	56,990,901
Current liabilities				
Trade and other payables	5,559,270	10,990,174	1,040,895	1,328,679
Other financial liabilities	1,080,709	2,609,887	24,811,210	28,812,786
Taxation due	-	1	8,146	8,146
Total current liabilities	6,639,979	13,600,062	25,860,251	30,149,611
Total liabilities	69,275,408	76,731,620	81,560,063	87,140,512
Total equity and liabilities	82,096,103	87,886,339	86,147,107	91,545,580

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


George Muscat
Chairperson


Paul Attard
Director

Date : 27 August 2020

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30th JUNE 2020

	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 period	-	-	-	1,285,596	1,285,596
Revaluation reserve	-	-	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 period	-	-	-	1,665,976	1,665,976
Revaluation reserve	-	-	(27,546)	27,546	-
Balance at 30th June 2020	2,500,000	2,500,000	529,644	7,291,051	12,820,695
Company					
Comprehensive income					
Balance at 1st January 2019	2,500,000	2,500,000	80,000	444,958	5,524,958
Loss for the year	-	-	-	(1,119,890)	(1,119,890)
Revaluation reserve	-	-	37,880	(37,880)	-
Balance at 31st December 2019	2,500,000	2,500,000	117,880	(712,812)	4,405,068
Balance at 1st January 2020	2,500,000	2,500,000	117,880	(712,812)	4,405,068
Comprehensive income					
Profit for the period	-	-	-	181,975	181,975
Revaluation reserve	-	-	(27,546)	27,546	-
Balance at 30th June 2020	2,500,000	2,500,000	90,334	(503,291)	4,587,043

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2020

	Group		Company	
	2020 Jan - June €	2019 Jan - Dec €	2020 Jan - June €	2019 Jan - Dec €
Cash flows from operating activities				
Net profit/loss before taxation	2,678,944	3,373,008	215,278	(1,106,038)
Adjustments for:				
Depreciation	4,979	8,621	1,000	2,000
Investment income	(362,011)	(728,782)	(1,563,838)	(2,827,041)
Interest expenses	1,355,538	3,492,616	1,307,613	3,828,575
Fair value gain on interest free long term receivable	(27,546)	157,130	(27,546)	37,880
Operating profit / (loss) before working capital changes	3,649,904	6,302,593	(67,493)	(64,624)
Trade and other receivables	515,318	(767,996)	181,007	(5,796,429)
Inventory - Development Project	5,823,995	(26,172,033)	-	-
Trade and other payables	(5,430,904)	6,049,599	(287,989)	887,052
Cash generated from operations	4,558,313	(14,587,837)	(174,475)	(4,974,001)
Interest payable	(1,355,538)	(3,492,616)	(1,307,613)	(3,828,575)
Income tax paid	(985,426)	(2,236,576)	(5,552)	(43,771)
<i>Net cash from / (used in) operating activities</i>	<u>2,217,349</u>	<u>(20,317,029)</u>	<u>(1,487,640)</u>	<u>(8,846,347)</u>
Cash flows from investing activities				
Purchase of fixed assets	-	(10,835)	-	
Investments (net)	(177,120)	(1,924,380)	(177,120)	(16,523,422)
Investment income	362,011	728,782	1,563,838	2,827,041
<i>Net cash from / (used in) investing activities</i>	<u>184,891</u>	<u>(1,206,433)</u>	<u>1,386,718</u>	<u>(13,696,381)</u>
Cash flows from financing activities				
Shareholders' loans	(1,529,178)	2,468,066	(1,627,574)	3,014,260
Related parties	(1,407,579)	(2,207,213)	1,541,111	5,089,809
Bank loans (net)	-	6,135,750	-	-
Bonds and debentures	(1,291,089)	17,517,667	(1,291,089)	17,517,667
Other loans	681,776	3,480,769	(559,434)	1,196,413
<i>Net cash (used in) / from financing activities</i>	<u>(3,546,070)</u>	<u>27,395,039</u>	<u>(1,936,986)</u>	<u>26,818,149</u>
Movement in cash and cash equivalents	(1,143,830)	5,871,577	(2,037,908)	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	<u><u>19,051,709</u></u>	<u><u>20,195,539</u></u>	<u><u>15,947,617</u></u>	<u><u>17,985,525</u></u>

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

1 General information

GAP Group p.l.c. (the "Company") is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema, SLM 3060, Malta.

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, Malta.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Consolidation

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

The Company acquired the shares in GAP Luqa Limited during the period ended 30th June 2019. The subsidiary was acquired at the net asset value of the subsidiary existing as at 31st December 2018 and adjusted with the increase in the value of the immovable property arising from a revaluation of the immovable property at market value.

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

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

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

2 Summary of significant accounting policies

2.3 Inventory - Development project

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

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

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

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

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

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

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

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

3 Borrowings

In October 2016 the Company raised € 40,000,000 by issuing secured bonds to the public at the fixed rate of interest of 4.25% at face value and redeemable at par on the 3rd October 2023 (the "Original Bonds").

In April 2019 the Company issued another € 40,000,000 secured bonds to the public at the fixed rate of interest of 3.65% at face value and redeemable at par on the 5th April 2022 through the combination of two fungible tranches: the First Tranche Bonds and the Second Tranche Bonds.

The First Tranche Bonds were offered as an exchange offer to the existing bondholders holding the Original Bonds. The Original Bonds converted to the First Tranche Bonds were equal to € 20,069,000.

The Second Tranche Bonds issued amounted to € 19,931,000.

As at 30th June 2020, the proceeds from the bonds issued were equal to € 56,130,700. Both bonds are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

- i. First ranking general hypothec over all the present and future assets of the Company and of GAP Luqa Limited.
- ii. First ranking special hypothec over the Luqa Development.
- iii. First ranking special hypothec over Block A to Block E of the Mellieha Development for the amount of € 20.5 million and interest thereon.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

4 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 period ended 30th June 2020, the Company entered into transactions with related undertakings all of which arose in the ordinary course of business.

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31st December 2019.