COMPANY ANNOUNCEMENT

GAP Group plc (the "Company")

Reference:	GGP 024
Announcement date:	6th September 2019

In terms of Chapter 5 of the Listing Rules

The following is a Company Announcement being made by GAP Group plc (**the "Company"**) in compliance with the Listing Rules, issued by the Listing Authority:

QUOTE

The Board of Directors of the Company makes reference to Company Announcement Number GGP 22 dated 30th August 2019 and hereby enclose the unaudited condensed interim financial statements for the period ended 30th June 2019 of the Company.

The financial statements of the Company are available for viewing on the Company's website at: Unaudited Condensed Interim Financial Statements June 2019.

UNQUOTE

Paul Attard
Company Secretary

6th September 2019

GAP Group p.l.c.
Company Registration Number C75875
GAP Holdings Head Office, Censu Scerri Street, Tigné Sliema SLM 3060, Malta
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GAP GROUP p.l.c.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2019

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DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th JUNE 2019

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 2019, as approved by the Board of Directors on the 29 August 2019 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 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 Luqa development were signed during Q2 2019.

The Mellieħa development

By the end of the financial period under review, the first five blocks (Blocks F, G, H, I & J) were fully completed and in line with the projected completion target date. Blocks B to E were fully constructed whilst trade works were approximately half-way through. Block A was in the final stages of construction whilst the finishing works were yet to commence.

It is envisaged that the construction shall be fully completed by Q3 2019 whilst the project shall be completed in its entirety by latest Q4 2019.

Out of the planned 152 residential units, 64 units had been sold (contracted) and a further 25 units were subject to a Preliminary Agreement as at 30th June 2019.

This means that 59% of the residential units available on the market (Blocks A to J) were committed, out of which 72% have been contracted as at 30th June 2019.

The Luqa Development

The Luqa development consists of five zones, namely, Zone A to F.

By 30th June 2019, Zone A was fully constructed whilst trade works were circa 90% complete. Zone B was 70% complete in terms of construction whilst the finishing works were at the very early stages.

The construction of Zone C was circa 30% complete whilst trade works were yet to commence. Construction works on Zones D to F had not started yet.

It is envisaged that the project shall be completed in its entirety by latest Q2 2021.

By 30th June 2019, 94% of the residential units available on the market (Zones A and B) were committed, out of which 6% had been contracted.

Directors' report - continued

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 2019, the Reserve Account carried a balance of €18,465,150 (i.e. 30.81% of the total bonds repayment).

Moreover, and unless any of the signed preliminary agreements (pertaining to the hypothecated properties) are rescinded, a further amount of circa €4 Million (i.e. a further 6.67% of the total bond repayment) 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.

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.

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 2019, and its financial performace 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 Slm 3060

Date : 29 August 2019

INCOME STATEMENT

FOR THE PERIOD ENDED 30th JUNE 2019

	Group		Company	
	2019	2018	2019	2018
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
Turnover	13,497,500	30,444,300	-	-
Cost of sales	(9,765,584)	(21,747,190)	-	-
	3,731,916	8,697,110	-	-
Administrative expenses	(911,636)	(1,701,121)	(16,686)	(46,994)
Operating profit / (loss)	2,820,280	6,995,989	(16,686)	(46,994)
Finance costs	(1,889,501)	(2,258,581)	(1,794,086)	(1,810,898)
Investment income	361,482	683,223	1,310,333	2,128,725
Profit/(loss) before taxation	1,292,261	5,420,631	(500,439)	270,833
Tax expense	(1,042,331)	(2,439,584)	(1)	(56,824)
Profit/(loss) for the period/year	249,930	2,981,047	(500,440)	214,009

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income				
Fair value gain on interest free long term loan receivable	92,125	191,932	32,500	80,000
Other comprehensive income for the year / period	92,125	191,932	32,500	80,000
Total Comprehensive Income/(Loss)	342,055	3,172,979	(467,940)	294,009
Earnings per share	0.10	1.19	0.00	0.09

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2019

	Group		Company	
	2019	2018	2019	2018
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
ASSETS				
Non-current assets				
Property, plant and equipment	25,591	29,788	5,250	6,250
Investment in subsidiaries	-	-	34,017,032	21,242,032
Investments	2,612,500	4,087,500	2,612,500	2,580,000
Loans and other receivables	9,866,010	13,615,837	7,422,314	8,862,120
	12,504,101	17,733,125	44,057,096	32,690,402
Current assets				
Inventory - Development project	42,046,306	22,786,301	-	-
Trade and other receivables	2,117,167	346,102	25,647,198	21,708,992
Cash and bank balances	24,924,085	14,331,301	22,705,539	13,710,104
Income Tax refundable	54,929	39,804	644	-
	69,142,487	37,503,508	48,353,381	35,419,096
Total Assets	81,646,588	55,236,633	92,410,477	68,109,498

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2019 (continued)

	Group		Company	
	2019	2018	2019	2018
	Jan - June	Jan - Dec	Jan - June	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
Fair value reserve	492,185	400,060	112,500	80,000
Retained earnings/Accumulated losses	4,719,749	4,469,063	(55,482)	444,958
Total equity	10,211,934	9,869,123	5,057,018	5,524,958
Non-current liabilities				
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	58,990,507	39,473,234	58,990,507	39,473,234
Total non-current liabilities	58,995,414	39,478,141	58,990,507	39,473,234
Current liabilities				
Bank overdraft and loans	-	7,339	-	-
Trade and other payables	7,541,125	5,770,922	2,484,045	7,120,471
Other financial liabilities	4,898,114	111,108	25,878,907	15,990,649
Taxation due	-	-	-	186
Total current liabilities	12,439,239	5,889,369	28,362,952	23,111,306
Total liabilities	71,434,653	45,367,510	87,353,459	62,584,540
Total equity and liabilities	81,646,587	55,236,633	92,410,477	68,109,498

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 : 29 August 2019

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30th JUNE 2019

	Share Capital €	Quasi Equity €	Revaluation Reserve €	Profit and Loss Account €	Total €
Group					
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	-	-	-	3,172,979	3,172,979
Fair value gain on long term interest free loan receivable	-	-	111,932	(111,932)	-
Gain on revaluation of investments	-	-	80,000	(80,000)	-
Balance at 31st December 2018	2,500,000	2,500,000	400,060	4,469,063	9,869,123
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	-	-	-	342,055	342,055
Fair value gain on long term interest free loan receivable	-	-	59,625	(59,625)	-
Acquisition of Gap Luqa Limited	-	-	-	756	756
Gain on revaluation of assets	-	-	32,500	(32,500)	-
Balance at 30th June 2019	2,500,000	2,500,000	492,185	4,719,749	10,211,934
Company					
Comprehensive income					
Balance at 1st January 2018	2,500,000	2,500,000	-	230,949	5,230,949
Profit for the year	-	-	-	294,009	294,009
Gain on revaluation of investments	-	-	80,000	(80,000)	-
Balance at 30 June 2018	2,500,000	2,500,000	80,000	444,958	5,524,958
Balance at 1st January 2019	2,500,000	2,500,000	80,000	444,958	5,524,958
Comprehensive income					
Loss for the period	-	-	-	(467,940)	(467,940)
Gain on revaluation of investments	-	-	32,500	(32,500)	-
Balance at 30th June 2019	2,500,000	2,500,000	112,500	(55,482)	5,057,018

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2019

	Group		Company	
	2019	2018	2019	2018
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
Cash flows from operating activities				
Net profit/loss before taxation	1,292,261	5,420,631	(500,439)	270,833
Adjustments for:				
Depreciation	4,197	9,043	1,000	2,000
Investment income	(361,482)	(683,223)	(1,310,333)	(2,128,725)
Interest expenses	1,889,501	2,258,581	1,794,086	1,810,898
Fair value gain on interest free long term receivable	92,125	191,932	32,500	80,000
Operating profit / (loss) before working capital changes	2,916,602	7,196,964	16,814	35,006
Trade and other receivables	(1,771,065)	(46,692)	(3,938,206)	88,229
Inventory - Developent Project	(19,260,005)	10,914,653	-	-
Trade and other payables	1,770,203	(5,877,564)	630,753	8,252
Cash generated from operations	(16,344,265)	12,187,361	(3,290,639)	131,487
Interest payable	(1,889,501)	(2,258,581)	(1,794,086)	(1,810,898)
Income tax paid	(1,057,457)	(2,439,615)	(831)	(56,843)
Net cash used in operating activities	(19,291,223)	7,489,165	(5,085,556)	(1,736,254)
Cash flows from investing activities				
Investments in subsidiaries	-	-	(12,775,000)	-
Purchase of fixed assets	-	(28,500)	-	
Investments (net)	1,475,000	6,284,300	(32,500)	6,284,300
Investment income	361,482	683,223	1,310,333	2,128,725
Net cash from / (used in) investing activities	1,836,482	6,939,023	(11,497,167)	8,413,025
Cash flows from financing activities				
Shareholders' loans	4,787,006	53,192	4,488,100	-
Related parties	2,404,364	1,405,428	132,979	9,561,239
Bonds and debentures	19,517,273	110,898	19,517,273	110,898
Other loans	1,346,221	(2,854,384)	1,439,806	(2,641,819)
Net cash (used in) / from financing activities	28,054,864	(1,284,866)	25,578,158	7,030,318
Movement in cash and cash equivalents	10,600,123	13,143,322	8,995,435	13,707,089
Cash and cash equivalents at beginning of the period/year	14,323,962	1,180,640	13,710,104	3,015
Cash and cash equivalents at end of the period/year	24,924,085	14,323,962	22,705,539	13,710,104

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2019

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 subisidiaries.

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 2019

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 2019, the proceeds from the bonds issued were equal to € 59,931,000. 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 2019

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 2019, 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 2018.