COMPANY ANNOUNCEMENT

GAP Group plc

Reference:	GGP 067
Announcement date:	26 August 2021

The following is a Company Announcement issued 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 met on Thursday 26 August 2021 and approved the condensed interim consolidated financial statements for the period ended 30 June 2021. A copy of the financial statements is attached to this announcement.

The condensed interim consolidated financial statements are also available for download on the Company's website: https://gap.com.mt/investor-relations.

UNQUOTE

Paul Attard
COMPANY SECRETARY

GAP GROUP p.l.c.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2021

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DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th JUNE 2021

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 2021, as approved by the Board of Directors on the 26th August 2021 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 period under review.

The Mellieħa development

As at 30 June 2021, the entire Mellieha project is complete and fully finished.

Out of the 159 residential units, 140 units have been sold (contracted) and a further 17 units were subject to Preliminary agreement as at 30 June 2021.

This means that 99% of the residential units were committed, out of which 90% have been contracted as at 30 June 2021.

The Luqa Development

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

As at 30 June 2021, Zones A, B and C were fully complete. The construction of Zone D was fully complete and trade works were 90% complete. The construction of Zone E was 90% complete and trade works have just commenced. It is envisaged that construction works on all Zones shall be fully complete in Q3 2021 whilst all trade works will be completed by Q4 2021.

As at 30 June 2021, out of the 268 residential units, 174 units have been sold (contracted) and a further 73 units were subject to a preliminary agreement.

This means that 93% of the residential units were committed, out of which 71% have been contracted.

The Mosta and the Qawra Developments

In December 2020, a newly incorporated subsidiary, acquired 2 plots of land in Qawra and Mosta. Works on both projects have commenced immediately and are progressing in line with expectations.

Directors' report - continued

The Marsascala Development

The Marsascala Development consists of 63 residential units.

As at 30 June 2021 construction works were fully complete and trade works will be concluded in Q3 2021.

As at 30 June 2021, 25 units were subject to a preliminary agreement, which means that 40% of the residential units were committed.

The San Pawl tat-Targa Development

The project consists of 9 residential units and 8 garages. As at 30 June 2021 construction works were fully complete and trade works will be concluded in Q3 2021. As at 30 June 2021, 1 unit was subject to a preliminary agreement.

The Birkirkara Development

The project consists of 14 residential units and 9 garages, and all works have been completed. As at 30 June 2021, 2 units have been sold (contracted) and 6 more units were subject to a preliminary agreement. This means that 58% of the residential units have been committed, out of which 25% have been contracted.

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 30 June 2021 the aggregate amount of bonds in issue amounted to €69,465,700 being €29,218,400 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.

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 30 June 2021, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €18,857,050 (i.e. 98% of the total bond repayment) and the Reserve Account of the 3.65% Secured Bonds 2022 carried a balance of €16,852,576 (i.e. 58% of the total bond repayment).

Directors' report - continued

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.

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

The results for the period ended 30 June 2021 are shown in the Statement of Comprehensive Income on page 5. The Group registered a Profit for the period after tax amounting to €4,312,207 (January to December 2020 - €3,978,964), while the Company registered a Profit of €3,196,006 (January to December 2020 - €24,146).

During the period ended 30 June 2021, the Company paid a net interim dividend amounting to €2,500,000.

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 2021, 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 : 26 August 2021

INCOME STATEMENT

FOR THE PERIOD ENDED 30th JUNE 2021

	Group		Company	
	2021	2020	2021	2020
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
Turnover	27,957,375	23,785,928	-	-
Cost of sales	(19,815,553)	(13,599,107)	-	-
Gross Profit	8,141,822	10,186,821	-	-
Administrative expenses	(1,477,719)	(1,167,442)	(108,700)	(86,686)
Operating profit / (loss)	6,664,103	9,019,379	(108,700)	(86,686)
Finance costs	(1,323,565)	(4,027,235)	(1,557,166)	(2,605,474)
Investment income	298,167	591,628	4,840,388	2,880,773
Profit before taxation	5,638,705	5,583,772	3,174,522	188,613
Tax expense	(1,380,386)	(1,481,582)	(32,404)	(44,821)
Profit for the period/year	4,258,319	4,102,190	3,142,118	143,792

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income				
Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable	53,888	(123,226)	53,888	(119,646)
Other comprehensive income / (loss) for the year / period	53,888	(123,226)	53,888	(119,646)
Total Comprehensive Income	4,312,207	3,978,964	3,196,006	24,146
Earnings per share	1.70	1.64	1.26	0.06

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2021

	Group		Company	
	2021	2020	2021	2020
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
ASSETS				
Non-current assets				
Property, plant and equipment	22,300	22,999	3,250	3,250
Investment in subsidiaries	-	-	34,338,574	34,338,574
Investments	6,406,100	6,096,900	6,406,100	6,096,900
Loans and other receivables	23,009,313	16,862,196	8,053,485	14,396,415
	29,437,713	22,982,095	48,801,409	54,835,139
Current assets				
Inventory - Development project	52,975,906	62,648,918	-	-
Trade and other receivables	5,188,953	4,284,408	24,542,574	41,215,658
Cash and bank balances	22,466,878	13,961,280	32,459,934	12,938,782
Income Tax refundable	18,563	18,563	-	-
	80,650,300	80,913,169	57,002,508	54,154,440
Total Assets	110,088,013	103,895,264	105,803,917	108,989,579

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2021 (continued)

	Group		Company	
	2021	2020	2021	2020
	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
Revaluation reserve	487,852	433,964	52,122	(1,766)
Retained earnings/Accumulated losses	11,458,038	9,699,719	73,099	(569,019)
Total equity	16,945,890	15,133,683	5,125,221	4,429,215
Non-current liabilities				
Bank loans	11,443,379	7,731,890	-	-
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	68,903,168	69,864,157	68,903,168	69,864,157
Total non-current liabilities	80,351,454	77,600,954	68,903,168	69,864,157
Current liabilities				
Bank overdraft and loans	2,000,000	500,205	1,000,000	500,000
Trade and other payables	10,609,812	10,002,952	1,241,601	1,285,940
Other financial liabilities	180,857	657,470	25,525,781	32,902,122
Taxation due	-	-	8,145	8,145
Total current liabilities	12,790,669	11,160,627	27,775,527	34,696,207
Total liabilities	93,142,123	88,761,581	96,678,695	104,560,364
Total equity and liabilities	110,088,013	103,895,264	101,803,916	108,989,579

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 : 26 August 2021

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30th JUNE 2021

	Share Capital €	Quasi Equity €	Revaluation Reserve €	Profit and Loss Account €	Total €
Group					
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	-	-	(123,226)	123,226	-
Balance at 31st December 2020	2,500,000	2,500,000	433,964	9,699,719	15,133,683
Balance at 1st January 2021	2,500,000	2,500,000	433,964	9,699,719	15,133,683
Comprehensive income					
Profit for the period	-	-	-	4,312,207	4,312,207
Dividends proposed and paid during the year	-	-	-	(2,500,000)	(2,500,000)
Revalation reserve	-	-	53,888	(53,888)	-
Balance at 30th June 2021	2,500,000	2,500,000	487,852	11,458,038	16,945,890
Company					
Comprehensive income					
Balance at 1st January 2020	2,500,000	2,500,000	117,880	(712,811)	4,405,069
Profit for the year	-	-	-	24,146	24,146
Revalutaion reserve	-	-	(119,646)	119,646	-
Balance at 31st December 2020	2,500,000	2,500,000	(1,766)	(569,019)	4,429,215
Balance at 1st January 2021	2,500,000	2,500,000	(1,766)	(569,019)	4,429,215
Comprehensive income					
Profit for the period	-	-	-	3,196,006	3,196,006
Revalutaion reserve	-	-	53,888	(53,888)	-
Dividends proposed and paid during the year			-	(2,500,000)	(2,500,000)
Balance at 30th June 2021	2,500,000	2,500,000	52,122	73,099	5,125,221

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2020

	Group		Company	
	2021	2020	2021	2020
	Jan - June	Jan - Dec	Jan - June	Jan - Dec
	€	€	€	€
Cash flows from operating activities				
Net profit before taxation	5,638,705	5,583,772	3,174,522	188,613
Adjustments for:				
Depreciation	4,979	9,004	-	1,000
Investment income	(298,167)	(591,628)	(4,840,388)	(2,880,773)
Interest expenses	1,323,565	4,027,235	1,557,166	2,605,474
Fair value gain on interest free long term receivable	53,888	(123,226)	53,888	(119,646)
Operating profit / (loss) before working capital changes	6,722,970	8,905,157	(54,812)	(205,332)
Trade and other receivables	(168,202)	406,906	-	5,750,826
Inventory - Development Project	9,673,012	(13,690,584)	-	-
Trade and other payables	606,860	(987,222)	(44,338)	(42,739)
Cash generated from operations	16,834,640	(5,365,743)	(99,150)	5,502,755
Interest payable	(1,323,565)	(4,027,235)	(1,557,166)	(2,605,474)
Income tax paid	(1,380,386)	(1,468,307)	(32,404)	(44,823)
Net cash from / (used in) operating activities	14,130,689	(10,861,285)	(1,688,720)	2,852,458
Cash flows from investing activities				
Loans and other receivables	(6,147,117)	-	6,342,930	-
Purchase of fixed assets	(4,280)	(1)	-	
Investments (net)	(309,200)	(85,020)	(309,200)	(90,020)
Investment income	298,167	591,628	4,840,388	2,880,773
Net cash from / (used in) investing activities	(6,162,430)	506,607	10,874,118	2,790,753
Cash flows from financing activities				
Shareholders' loans	(476,613)	(1,900,059)	200,121	(1,678,026)
Related parties	(736,343)	(2,221,995)	9,096,622	(15,654,476)
Bank loans (net)	5,711,489	1,596,140	4,500,000	500,000
Bonds and debentures	(960,989)	12,873,256	(960,989)	12,873,256
Other loans	-	(6,727,128)	-	(6,730,708)
Dividends paid	(2,500,000)	-	(2,500,000)	-
Net cash (used in) / from financing activities	1,037,544	3,620,214	10,335,754	(10,689,954)
Movement in cash and cash equivalents	9,005,803	(6,734,464)	19,521,152	(5,046,743)
Cash and cash equivalents at beginning of the year	13,461,075	20,195,539	12,938,782	17,985,525
Cash and cash equivalents at end of the year	22,466,878	13,461,075	32,459,934	12,938,782

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2021

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.

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 2021

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 November 2020, the company issued a Prospectus for the issue of a 21,000,000 million bond at par which was fully subscribed. The bond is redeemable at par at any date falling between 18 December 2023 and 17 December 2025 at the sole discretion of the Issuer.

The 4.25% Secured Bonds 2023 are redeemable at par on 3 October 2023, whereas the 3.65% Secured Bonds 2022 are redeemable at par on the 5 April 2022.

As at 30th June 2021, the proceeds from the bonds issued were equal to € 69,465,700. The three 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 the present and future assets of the Company and of GAP Luqa Limited and GAP QM 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 Developments of GAP QM Limited.
iv. First ranking special hypothec over Block A to Block E of the Mellieha Development.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2021

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 2021, 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 2020.