Reg. No. C 75875

GAP GROUP P.L.C.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31st DECEMBER 2022

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31st DECEMBER 2022

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 2022.

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 promising number of contracts from its various projects were signed during the financial year under review.

Southridge

The Southridge development in Mellieha was fully complete during 2020. Out of the 159 residential units, 157 units have been sold (contracted) and the last 2 remaining units were subject to a Preliminary Agreement as at 31st December 2022.

This means that 100% of the residential units were committed, out of which 99% have been contracted as at 31st December 2022.

Fairwinds

The Fairwinds development in Hal Luqa consists of 21 blocks. By the end of the year, all the blocks were fully complete. At the end of the year, out of the 268 residential units, 262 units have been sold (contracted) and the last 6 units were subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 98% have been contracted as at the end of the year.

Waterbank

The Waterbank development in Marsascala consists of 63 residential units. By the end of the year, the project was fully complete. At the end of the year, out of the 63 residential units, 59 units have been sold (contracted) and the last 4 units were subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 94% have been contracted as at 31 December 2022.

DIRECTORS' REPORT – continued

The Hazel

The Hazel development in Birkirkara consists of 14 residential units. By the end of the year, the project was fully complete. At the end of the year, out of the 14 residential units, 13 units have been sold (contracted) and the last 1 unit was subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 93% have been contracted by the end of the year.

Dumont

The Dumont development in San Pawl tat-Targa consists of 9 residential units. By the end of the year, the project was fully complete. At the end of the year, out of the 9 residential units, 8 units have been sold (contracted) and the last unit was subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 89% have been contracted by the end of the year.

Mulberry Park

Works on the Mulberry Park in Qawra started in December 2020 and progressed at a steady pace. The project consists of 93 residential units and was almost complete by the end of 2022.

At the end of the year, out of the 93 residential units, 1 unit has been sold (contracted) and a further 73 units were subject to a Preliminary Agreement.

This means that 80% of the residential units were committed, out of which 1% have been contracted by the end of the year.

The Pantheon

Works on The Pantheon development in Mosta started in December 2020 and progressed at a steady pace. The project is split in 3 different Zones and will consist in about 110 residential units.

As at year end, the first zone was 100% complete, whereas the second zone was 40 % complete and is expected to be complete in Q3 2023. Construction works on the final zone will commence in Q2 2023 and shall be fully complete by Q1 2024.

As at 31 December 2022, only 45 units were placed on the market. From these, 2 units have been sold (contracted) and 38 units were subject to a preliminary agreement.

This means that 89% of the units placed on the market were committed, out of which 5% have been contracted.

Seaberry Park

Works on Seaberry Park development in Qawra started in early 2022 and progressed at a steady pace. As at year end construction was 50% complete and finishings are about to commence. The project is expected to be completed in early 2024.

DIRECTORS' REPORT – continued

Bonds in issue

At the end of the year, the company had four bonds in issue, namely the GAP Group p.l.c. 4.25% Secured Bonds 2023, the GAP Group p.l.c. 3.7% Secured Bonds 2023 – 2025, the GAP Group p.l.c. 3.9% Secured Bonds 2024 – 2026 and the GAP Group p.l.c. 4.75% Secured Bonds 2025 - 2027.

During the year, on 5 April, the company redeemed in full the remaining balance of the GAP Group p.l.c. 3.65% Secured Bonds 2022, amounting to €29,118,400.

As at 31 December 2022 the aggregate amount of bonds in issue amounted to €72,585,847 being, €8,349,900 Gap Group p.l.c. 4.25% Secured Bonds 2023, €20,848,853 Gap Group p.l.c. 3.7% Secured Bonds 2023 – 2025, €20,720,588 Gap Group p.l.c. 3.9% Secured Bonds 2024 – 2026 and €22,666,506 Gap Group p.l.c. 4.75% Secured Bonds 2025 – 2027.

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023, the 3.7% Secured Bonds 2023 - 2025, the 3.9% Secured Bonds 2024 – 2026 the 4.75% Secured Bonds 2025 – 2027, a reserve account had been created by the Security Trustee to cover for the redemption of the four bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on the 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 2022, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €8,814,554 (i.e. 100% of the total bond repayment) and the Reserve Account of the 3.7% Secured Bonds 2023 - 2025 carried a balance of €652,500 (i.e. 3% of the total bond repayment).

Moreover, the trustee held an amount of €4,708,085 with respect to the 3.9% Secured Bonds 2024 – 2026 and €22,684,806 with respect to the 4.75% Secured Bonds 2025 – 2027. Both amounts were available for immediate withdrawal to finance the developments costs incurred on Mulberry Park project in Qawra, The Pantheon in Mosta and the upcoming project in M'Skala.

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. Additionally, the directors are monitoring closely inflationary risks resulting from the conflict in Ukraine and the aftermath of the COVID pandemic. The directors are confident that the company has robust measures in place to mitigate the likely possible effects of inflationary pressures. 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

Events subsequent to the reporting period

As at 31 December 2022, the security trustee held €22,684,806 in the reserve account of the 4.75% Secured Bond 2025 – 2027 following the successful issue of the said bond in December 2022. The bond was issued to finance the acquisition of a parcel of land in M' Skala and to part-finance the development of the project. In line with the prospectus the land was acquired during the month of January 2023 through a fully owned subsidiary of the company.

Results and dividends

The results for the year ended 31 December 2022 are shown in the income statement on page 10. The Group registered a Profit of €4,710,905 (2021 - €8,941,239), while the Company registered a Profit of €5,925,994 (2021 - €3,373,926).

The directors do not recommend the payment of a dividend.

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.

Company secretary

The Company's Secretary is Mr Paul Attard.

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 and the Group 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;
- value separately the components of asset and liability items;
- 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 fair 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.

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.

DIRECTORS' REPORT – continued

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

Signed on behalf of the Board of Directors on 25 April 2023 by Mr. George Muscat (Chairman) and Mr. Paul Attard (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Registered office:

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

Date : 25 April 2023

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 have 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 2022.

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 2022 to 31st December 2022 amounted to €164,808 (2021 – €186,054).

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.

Signed on behalf of the Board of Directors on 25 April 2023 by Mr. George Muscat (Chairman) and Mr. Paul Attard (Director).

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
		€	€	€	€
Turnover	3	29,496,100	50,116,459	-	-
Cost of sales		(20,705,516)	(35,317,274)	-	-
Gross Profit		8,790,584	14,799,185	-	-
Administrative expenses		(1,853,370)	(2,550,344)	(147,393)	(49,220)
Operating profit / (loss)	4	6,937,214	12,248,841	(147,393)	(49,220)
Finance costs	7	(837,609)	(1,574,189)	(2,763,119)	(3,454,989)
Investment income	8	628,181	717,252	9,243,776	6,869,482
Profit before taxation		6,727,786	11,391,904	6,333,264	3,365,273
Tax expense	9	(1,657,631)	(2,527,253)	(48,020)	(67,935)
Profit for the year		5,070,155	8,864,651	6,285,244	3,297,338

STATEMENT OF COMPREHENSIVE INCOME

	Group 2022	Group 2021	Company 2022	Company 2021
Other comprehensive (loss) / income				
Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable	(359,250)	76,588	(359,250)	76,588
Other comprehensive (loss) / income for the year	(359,250)	76,588	(359,250)	76,588
Total Comprehensive income	4,710,905	8,941,239	5,925,994	3,373,926
Earnings per share	2.03	3.55	2.51	1.32

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION – 31ST DECEMBER 2022

		Group		Company	
	Notes	2022	2021	2022	2021
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	12	43,493	18,667	1	1
Investment in subsidiaries	13	-	-	34,344,774	34,343,574
Investments	14	8,063,550	9,670,000	8,063,550	9,670,000
Other financial assets	15	10,982,645	10,676,417	8,516,864	8,210,636
		19,089,688	20,365,084	50,925,189	52,224,211
Current assets					
Inventory – Development project	17	49,147,357	45,820,419	-	-
Trade and other receivables	18	7,227,793	9,480,810	39,248,415	64,603,401
Cash and bank balances	19	34,514,459	36,507,128	29,681,881	35,574,658
Income Tax refundable		14,498	-	-	-
		90,904,107	91,808,357	68,930,296	100,178,059
Total Assets		109,993,795	112,173,441	119,855,485	152,402,270
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	20	2,500,000	2,500,000	2,500,000	2,500,000
Subordinated shareholders' loan – Quasi equity	22	2,500,000	2,500,000	2,500,000	2,500,000
Revaluation reserve	23	151,302	510,552	(284,428)	74,822
Retained earnings		21,134,525	16,064,370	6,513,564	228,320
Total equity		26,285,827	21,574,922	11,229,136	5,303,142
Non-current liabilities					
Bank loans	24	1,960,366	6,887,236	1,960,366	3,700,000
Other financial liabilities	25	4,907	4,907	-	-
Debt securities in issue	24	43,387,094	28,986,052	43,387,094	28,986,052
Total non-current liabilities		45,352,367	35,878,195	45,347,460	32,686,052
Current liabilities					
Bank loans	24	1,750,000	1,090,332	1,750,000	1,090,332
Debt securities in issue	24	29,198,753	40,015,800	29,198,753	40,015,800
Trade and other payables	25	7,406,848	11,570,957	250,068	2,785,997
Other financial liabilities	25	-	1,970,937	32,067,858	70,421,941
Taxation due		-	72,298	12,210	99,006
Total Current liabilities		38,355,601	54,720,324	63,278,889	114,413,076
Total liabilities		83,707,968	90,598,519	108,626,349	147,099,128
Total equity and liabilities		109,993,795	112,173,441	119,855,485	152,402,270

The notes on pages 14 to 41 are integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2023. The financial statements were signed on behalf of the Board of Directors by Mr. George Muscat (Chairperson) and Mr. Paul Attard (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	Share Capital	Quasi Equity	Revaluation Reserve	Profit and Loss Account	Total
		€	€	€	€	€
Group						
Balance at 1st January 2021		2,500,000	2,500,000	433,964	9,699,719	15,133,683
Comprehensive income						
Profit for the year		-	-	-	8,941,239	8,941,239
Revaluation reserve	23	-	-	76,588	(76,588)	-
Dividends proposed and paid during the year	11	-	-	-	(2,500,000)	(2,500,000)
Balance at 31st December 2021		2,500,000	2,500,000	510,552	16,064,370	21,574,922
Balance at 1st January 2022		2,500,000	2,500,000	510,552	16,064,370	21,574,922
Comprehensive income						
Profit for the year		-	-	-	4,710,905	4,710,905
Revaluation reserve		-	-	(359,250)	359,250	-
Balance at 31st December 2022		2,500,000	2,500,000	151,302	21,134,525	26,285,827
Company						
Balance at 1st January 2021		2,500,000	2,500,000	(1,766)	(569,018)	4,429,216
Comprehensive income						
Profit for the year		-	-	-	3,373,926	3,373,926
Revaluation reserve	23	-	-	76,588	(76,588)	-
Dividends proposed and paid during the year	11	-	-	-	(2,500,000)	(2,500,000)
Balance at 31st December 2021		2,500,000	2,500,000	74,822	228,320	5,303,142
Balance at 1st January 2022		2,500,000	2,500,000	74,822	228,320	5,303,142
Comprehensive income						
Profit for the year		-	-	-	5,925,994	5,925,994
Revaluation reserve		-	-	(359,250)	359,250	-
Balance at 31st December 2022		2,500,000	2,500,000	(284,428)	6,513,564	11,229,136

The notes on pages 14 to 41 are an integral part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31ST DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Notes	€	€	€	€
Cash flows from operating activities					
Net profit before taxation		6,727,786	11,391,904	6,333,264	3,365,273
Adjustments for:					
Depreciation	12	17,676	14,106	-	3,249
Investment income	8	(628,181)	(717,252)	(9,243,776)	(6,869,482)
Interest expenses	7	837,609	1,574,189	2,763,119	3,454,989
Fair value gain on interest-free long term receivable		(359,250)	76,588	(359,250)	76,588
Operating profit / (loss) before working capital changes		6,595,640	12,339,535	(506,643)	30,617
Trade and other receivables	18	2,051,809	(2,250,410)	107,957	(118,774)
Inventory – Development Project	17	(3,326,938)	16,828,499	-	-
Trade and other payables	25	(4,164,109)	1,568,005	(2,535,929)	1,500,057
Cash (used in) / generated from operations		1,156,402	28,485,629	(2,934,615)	1,411,900
Interest payable	7	(837,609)	(1,574,189)	(2,763,119)	(3,454,989)
Income tax paid		(1,744,427)	(2,436,392)	(134,816)	22,926
Net cash (used in) / from operating activities		(1,425,634)	24,475,048	(5,832,550)	(2,020,163)
Cash flows from investing activities					
Purchase of fixed assets	12	(42,502)	(9,774)	-	-
Investments (net)	14	1,606,450	(3,573,100)	1,605,250	(3,578,100)
Investment income	8	628,181	717,252	9,243,776	6,869,482
Net cash from / (used in) investing activities		2,192,129	(2,865,622)	10,849,026	3,291,382
Cash flows from financing activities					
Related parties	26	(1,769,729)	(1,632,525)	(13,107,054)	14,250,851
Bank loans (net)	24	(4,267,202)	245,678	(1,079,966)	4,790,332
Bonds and debentures	24	3,583,995	(862,305)	3,583,995	(862,305)
Other loans		(306,228)	6,185,779	(306,228)	6,185,779
Dividends paid		-	(2,500,000)	-	(2,500,000)
Net cash (used in) / from financing activities		(2,759,164)	1,436,627	(10,909,253)	21,864,657
Movement in cash and cash equivalents		(1,992,669)	23,046,053	(5,892,777)	23,135,876
Cash and cash equivalents at beginning of the year		36,507,128	13,461,075	35,574,658	12,438,782
Cash and cash equivalents at end of the year	**Note 19**	34,514,459	36,507,128	29,681,881	35,574,658

The notes on pages 14 to 41 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

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.

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.

Standards, interpretations and amendments to published standards effective in 2022

The Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2022. 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.

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 2022

1. Summary of significant accounting policies – continued

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.

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").

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1. Summary of significant accounting policies – continued

1.4 Financial assets – continued

1.4.2 Recognition and measurement – continued

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.

1.4.3 Derecognition

Financial assets

The Company derecognises a financial asset when:
- The contractual right to the cash flows from the financial asset expire ; or
- It transfers the rights to receive the contractual cash flows in a transaction which either:
  - Substantially all of the risks and rewards of ownership of the financial assets are transferred; or
  - The Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

1.4 Financial assets - continued

1.4.4 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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

1.4 Financial assets - continued

1.4.4 Impairment – continued

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 2022 or 1 January 2022 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.

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 subsidiaries.

The company acquired the shares in its subsidiaries during the period ended 31st December 2016 and the period ended 31st December 2019. The subsidiaries acquired 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 company incorporated two subsidiaries in the Group in 2021 and 2022.

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 – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

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 is 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.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

1.13 Property, plant and equipment – continued

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
Tools	4
Computer & Office 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.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

1 Summary of significant accounting policies – continued

1.14 Inventory - Development project - continued

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.

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 2022

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 2022

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 2022

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. The directors are closely monitoring closely inflationary risks resulting from the conflict in Ukraine and the aftermath of the COVID pandemic.

(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.

(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, and the 3.7% Secured Bonds 2023 – 2025, the 3.9% Secured Bonds 2024 - 2026 and the 4.75% Secured Bonds 2025 – 2027 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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

2 Financial risk management – continued

2.1 Financial risk factors – continued

(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.

In the next 12 months, the Group requires to raise further funding to finish its ongoing projects. The funding should be available from own Reserves. In the absence of that, the Company will seek bank finance. 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.

Maturity analysis

The company's trade and other payables with the exception of specific liabilities (refer to Note 10) are entirely repayable within one year from the end of the reporting period. The following table analyses the Company's borrowings, lease liabilities and deposits arising under operating leases classified as other payables into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	CARRYING AMOUNT	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS
	€	€	€	€	€
31st December 2022					
Bank loans	3,710,366	1,846,250	2,176,006	-	4,022,256
Debt securities	72,585,847	30,236,314	22,336,794	26,973,142	79,546,250
Other payables	7,406,848	1,750,000			9,156,848

	CARRYING AMOUNT	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS
	€	€	€	€	€
31st December 2021					
Bank loans	7,977,568	4,437,890	1,947,794	2,284,806	8,670,490
Debt securities	69,001,852	29,321,989	42,908,155	-	72,230,144
Other payables	13,541,894	1,090,332			14,632,226

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

2 Financial risk management – continued

2.1 Financial risk factors – 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, 3.7% Secured Bonds 2023-2025, the 3.9% Secured Bonds 2024 – 2026 and the 4.75% Secured Bonds 2025 – 2027.

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, the 3.7% Secured Bonds 2023-2025 and the 3.9% Secured Bonds 2024 - 2026). During the year under review, the available for sale investments were limited to purchases in reliable Corporate Bonds (€8.1 Million) whilst the cash at Bank was held with local quality financial institutions (€29.7 Million). The Reserve Account is administered by the Security Trustee of the 4.25% 2023 Secured Bonds, the 3.7% Secured Bonds 2023 – 2025, the 3.9% Secured Bonds 2024 – 2026 and the 4.75% Secured Bonds 2025 – 2027. 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.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Turnover

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Sale of property held for Development and resale	29,496,100	50,116,459	-	-
	29,496,100	50,116,459	-	-

4 Operating profit / (loss)

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Directors' fees (Note 6)	164,808	186,058	18,000	-
Employment costs (Note 5)	725,957	671,742	-	-
Depreciation (Note 12)	17,676	14,106	-	3,249
Audit fees – Annual statutory audit	41,664	37,393	7,236	7,139
Assurance services	5,664	5,664	5,664	5,664

5 Employees

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Employment costs comprise:				
Wages and salaries - administration	202,299	184,959	-	-
Wages and salaries – allocated to cost of sales	484,295	451,984	-	-
Social security costs – administration	11,542	10,408	-	-
Social security costs – allocated to cost of sales	27,821	24,391	-	-
	725,957	671,742	-	-
The average weekly number of persons employed by the Group during the year was:	19	19	-	-

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

6 Directors' emoluments

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Directors' salary – allocated to cost of sales	146,808	144,058	-	-
Directors' Remuneration	18,000	42,000	18,000	-
	164,808	186,058	18,000	-

7 Finance costs

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Interest and amortisation costs	837,609	1,574,189	2,763,119	3,454,989
	837,609	1,574,189	2,763,119	3,454,989

Finance costs allocated to cost of sales (Inventories – Property development)

At 1st January	2,509,152	2,598,494	-	-
Interest capitalised during the year	2,260,383	1,555,515	-	-
At 31st December	(2,674,066)	(2,479,349)	-	-
Charge of capitalised interest for the year	2,095,469	1,674,660	-	-

8 Investment income

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Interest receivable from related parties	306,227	294,449	2,921,822	3,446,679
Interest receivable from investments	293,750	397,001	293,750	397,001
Gains on investment	28,204	25,802	28,204	25,802
Dividends receivable from related parties	-	-	6,000,000	3,000,000
	628,181	717,252	9,243,776	6,869,482

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

9 Tax expense

The parent Company and Group's income tax charge for the year has been arrived at as follows:

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Current income tax				
Income tax on taxable income at 15%	44,062	67,935	44,062	67,935
Income tax subject to final tax of 5% and 8% on sales of immovable property	1,609,611	2,459,318	-	-
Income tax subject to 35%	3,958	-	3,958	-
Tax charge	1,657,631	2,527,253	48,020	67,935

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Net profit for the year	6,727,786	11,391,904	6,333,264	3,365,273
Income tax thereon at 35%	2,354,725	3,987,166	2,216,642	1,177,846
Deferred tax not accounted for	(12,308)	18	-	4,047
Difference arising from interest received	(58,751)	(71,017)	(58,751)	(71,017)
Expenses disallowed for tax purposes	172,261	263,398	-	16,090
Difference arising on income subject to 5-8% withholding tax on sales of immovable property	(1,665,994)	(3,684,447)	-	-
Difference arising on adjustment to revaluation of inventories	877,566	2,041,166	-	-
Exempt income	(9,868)	(9,031)	(2,109,871)	(1,059,031)
	1,657,631	2,527,253	48,020	67,935

10 Fair value adjustment

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Difference arising on amortised cost on interest free loan given to Gap Holdings Limited (Note 15)				
Amount as at 31st December	2,465,781	2,465,781	-	-
Amount as at 1st January	(2,465,781)	(2,465,781)	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

11 Dividends

The Group issued an interim dividend of €2,500,000 from the final tax account during the prior year. The net dividend per share amounted to €1 per share. The Directors did not recommend the payment of the final dividend.

12 Property, plant and equipment

Group

	Tools	Computer & Office Equipment	Motor Vehicles	Furniture & Fittings	Total
	€	€	€	€	€
Cost					
At 1st January 2022	1,836	19,083	54,000	1,720	76,639
Additions during the year	2,262	27,032	13,208	-	42,502
At 31st December 2022	4,098	46,115	67,208	1,720	119,141
Depreciation					
At 1st January 2022	997	13,233	43,049	693	57,972
Charge for the year	1,023	6,434	10,091	128	17,676
At 31st December 2022	2,020	19,667	53,140	821	75,648
Net book value					
At 31st December 2022	2,078	26,448	14,068	899	43,493
At 31st December 2021	839	5,850	10,951	1,027	18,667

Company

	Motor Vehicles	Total
	€	€
Cost		
At 1st January 2022	10,000	10,000
Additions during the year	-	-
At 31st December 2022	10,000	10,000
Depreciation		
At 1st January 2022	9,999	9,999
Charge for the year	-	-
At 31st December 2022	9,999	9,999
Net book value		
At 31st December 2022	1	1
At 31st December 2021	1	1

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

13 Investments in subsidiary undertakings

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
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	5,000
Gap Qawra Limited(C100513) - 5,000 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	-	5,000	5,000
Gap Zonqor Limited (C103533) – 1,200 ordinary shares of €1 each representing 100% holding (Gap Holdings Head Office, Censu Scerri Street, Tigne)	-	-	1,200	-
Total	-	-	34,344,774	34,343,574

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 25.

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 activity.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

14 Investments

Investments - FVOCI	Interest rate	Redemption date	Group	Company
			2022	
			€	€
Corporate Bonds	5%	2023	2,500,000	2,500,000
Corporate Bonds	3.25-3.75%	2026	2,179,750	2,179,750
Corporate Bonds	3.85%	2028	672,000	672,000
Corporate Bonds	3.65-3.80%	2029	2,711,800	2,711,800
			8,063,550	8,063,550

Investments - FVOCI	Interest rate	Redemption date	Group	Company
			2021	
			€	€
Corporate Bonds	5%	2023	2,350,000	2,350,000
Corporate Bonds	3.25-3.75%	2026	2,297,500	2,297,500
Corporate Bonds	3.85%	2028	705,700	705,700
Corporate Bonds	3.65-3.80%	2029	3,402,900	3,402,900
Corporate Bonds	3.50%	2031	711,900	711,900
Corporate Bonds	3.65%	2033	202,000	202,000
			9,670,000	9,670,000

15 Other financial assets

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Amount receivable from Gap Holdings Limited - Maturity date 2027	2,465,781	2,465,781	-	-
Amount receivable from Gap Holdings Limited - Maturity date 2027	8,516,864	8,210,636	8,516,864	8,210,636
	10,982,645	10,676,417	8,516,864	8,210,636

At 31st December 2022, the amount due by Gap Holdings Limited of €2,465,781 (2021 - €2,465,781) is non-interest bearing and is expected to be repaid by December 2027 (2021 - December 2026). The nominal amount of the loan is €3,000,000.

The amount due by Gap Holdings Limited of €8,516,864 (2021 - €8,210,636) is expected to be repaid by December 2027 and is unsecured. The amount receivable bears interest at 4.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

16 Reserve Account

The Reserve fund is made up as follows:

	2022	2021
	€	€
Amount held by the trustee as part of the Investments listed under Investments (See Note 14) held for the redemption of the 2022 and 2023 Bond	8,063,550	9,670,000
Amount held by the trustee for redemption of the bonds (See Note 19)	28,095,044	35,246,911
	36,158,594	44,916,911

17 Inventory – Development project

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Property cost of land and development costs	46,065,511	40,425,960	-	-
Capitalised borrowing costs (See Note 7)	2,674,066	2,479,349	-	-
Fair value adjustment on acquisition of subsidiaries	23,032,927	23,032,927	-	-
Fair value adjustment reversed on sale of property	(22,625,147)	(20,117,817)	-	-
	49,147,357	45,820,419	-	-

18 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Amounts receivable	839,066	2,782,918	-	-
Amounts due from group companies	-	-	38,159,333	63,606,350
Amounts due from related parties	6,322,000	6,523,208	1,022,355	822,367
Accrued interest receivable	66,727	174,684	66,727	174,684
	7,227,793	9,480,810	39,248,415	64,603,401

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

NOTES TO THE FINANCIAL STATEMENTS – 31st DECEMBER 2022

19 Cash and cash equivalents

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Cash in hand	47,600	246,423	-	-
Bank deposits	34,466,859	36,260,705	29,681,881	35,574,658
	34,514,459	36,507,128	29,681,881	35,574,658
	34,514,459	36,507,128	29,681,881	35,574,658

20 Share capital

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
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

21 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	
	2022	2021	2022	2021
	€	€	€	€
Profit for the year	5,070,155	8,864,651	6,285,244	3,297,338
Weighted average share in issue	2,500,000	2,500,000	2,500,000	2,500,000
Earnings per share	2.03	3.55	2.51	1.32

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 2022

22 Subordinated shareholders' loan – Quasi equity

	Group & Company	
	2022	2021
	€	€
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 connection with the raising of funds through the first bond issue (see note 24). The amount is interest free and is only repayable to the shareholders after the settlement of the amount due to the Bond holders.

23 Revaluation reserve

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Gain on amortisation of long term interest free loan receivable	435,730	435,730	-	-
(Loss) / gain on revaluation of investments at year end rates	(284,428)	74,822	(284,428)	74,822
	151,302	510,552	(284,428)	74,822

24 Borrowings

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Short term – falling due within one year				
Bank loans	1,750,000	1,090,332	1,750,000	1,090,332
Total short term borrowings	1,750,000	1,090,332	1,750,000	1,090,332

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Long term – falling due after one year				
Bank loans	1,960,366	6,887,236	1,960,366	3,700,000

A subsidiary within the Group had a loan of €596,586 which bore interest at 4% per annum and was repaid during the year from sale proceeds of immovable properties. Another subsidiary within the Group had another loan of €2,590,650 which bore interest at 4.25% per annum and was repaid during the year from sale proceeds of immovable properties.

The Parent Company has a bank loan facility of €3,710,366 which bears interest at 5.25% (supported by the Malta Development Bank). This is repayable by the year 2024 by means of monthly instalments.

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

24 Borrowings – continued

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Debt securities in issue				
The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using effective yield method as follows:				
Face value				
4.25% Secured Bonds 2023	8,349,900	19,247,300	8,349,900	19,247,300
3.65% Secured Bonds 2022	-	29,118,400	-	29,118,400
3.7% Secured Bonds 2023-2025	21,000,000	21,000,000	21,000,000	21,000,000
3.9% Secured Bonds 2024-2026	21,000,000	-	21,000,000	-
4.75% Secured Bonds 2025-2027	23,000,000	-	23,000,000	-
	73,349,900	69,365,700	73,349,900	69,365,700
Amortised Cost				
Issue of bond costs	1,206,050	1,181,530	1,206,050	1,181,530
Issue of bond costs amortised	(441,997)	(817,682)	(441,997)	(817,682)
	764,053	363,848	764,053	363,848
Amortised cost	72,585,847	69,001,852	72,585,847	69,001,852

The effective interest rates at the end of the year were as follows:

Face value

	2022	2021
	€	€
Secured Bonds 2023	4.25%	4.25%
Secured Bonds 2022	3.65%	3.65%
Secured Bonds 2023-2025	3.70%	3.70%
Secured Bonds 2024-2026	3.90%	-
Secured Bonds 2025-2027	4.75%	-

During the current year, the 4.25% Secured Bonds 2023 amounting to €8,349,900 and the 3.7% Secured Bonds 2023 – 2025 amounting to €21,000,000 were classified as current. The 3.65% Secured Bonds 2022 amounting to €29,118,400 and part of the 4.25% Secured Bonds 2023 amounting to €10,897,400 were classified as current during the prior year.

On 16 September 2016, GAP Group p.l.c. issued up to 40,000,000 4.25% Secured Bonds 2023. The bond interest is payable annually in arrears on 2 October. The bonds are guaranteed by an equivalent cash amount held in the reserve account. The bonds have been admitted to the Stock exchange on 26 October 2016. The quoted market price as at 31 December 2021 for the bonds was €101.50. In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

24 Borrowings – continued

On 4 March 2019, GAP Group p.l.c. issued up to 40,000,000 3.65% Secured Bonds 2022 of a nominal value of €100 per secured bond issued at PAR through the combination of two tranches. The bond interest is payable annually in arrears on 4 April. The bonds were redeemed at par on 4 April 2022. The bonds were guaranteed by GAP Luqa Limited and GAP Mellieha Limited, which have bound themselves jointly and severally for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the Prospectus.

The bonds have been admitted to the Stock exchange on 15 April 2019. The quoted market price as at 31 December 2021 for the bonds was €97. In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

On 20 November 2020, GAP Group p.l.c. issued up to 21,000,000 3.7% Secured Series I Bonds 2023-2025 of a nominal value of €100 per Series I Bond issued at par. The bond interest is payable annually in arrears on 17 December. The bonds are redeemable at par and are due for redemption at any date falling between 18 December 2023 and 17 December 2025, at the sole option of the Issuer, by giving not less than 30 days' notice. The bonds are guaranteed by GAP QM Limited, which has bound itself for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the Prospectus. The bonds have been admitted to the Stock exchange on 17 December 2020. The quoted market price as at 31 December 2021 for the bonds was €101. In the opinion of the directors, these market prices fairly represent the fair value of these financial liabilities.

On 6 December 2021, GAP Group p.l.c. issued up to 21,000,000 3.9% Secured Bonds 2024-2026 of a nominal value of €100 per Bond issued at par. The bond interest is payable annually in arrears on 29 December. The bonds are redeemable at par and are due for redemption at any date falling between 30 December 2024 and 29 December 2026, at the sole option of the Issuer, by giving not less than 30 days' notice. The bonds are guaranteed by GAP QM Limited and GAP Qawra Limited, which have bound themselves for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the Prospectus. The bonds have been admitted to the Stock exchange on 17 January 2022. The quoted market price as at 31 December 2022 for the bonds was €98.7. In the opinion of the directors, these market prices fairly represent the fair value of these financial liabilities.

On 5 December 2022, GAP Group p.l.c. issued up to 23,000,000 4.75% Secured Bonds 2025-2027 of a nominal value of €100 per Bond issued at par. The bond interest is payable annually in arrears on 21 December. The bonds are redeemable at par and are due for redemption at any date falling between 22 December 2025 and 21 December 2027, at the sole option of the Issuer, by giving not less than 30 days' notice. The bonds are guaranteed by GAP Zonqor Limited, which has bound itself for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the Prospectus. The bonds have been admitted to the Stock exchange on 29 December 2022. The quoted market price as at 31 December 2022 for the bonds was €101.50. In the opinion of the directors, these market prices fairly represent the fair value of these financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

25 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Trade and other payables				
Trade creditors and accruals	5,276,225	7,537,515	250,068	1,033,297
Advance deposits received on promise of sale agreements	2,121,763	2,225,786	-	-
Other creditors	-	1,752,700	-	1,752,700
Other taxation	8,860	54,956	-	-
	7,406,848	11,570,957	250,068	2,785,997
Other Financial liabilities				
Amounts due to shareholders	-	1,970,937	1,662,766	1,676,690
Amounts due to subsidiaries	-	-	30,405,092	68,745,251
	-	1,970,937	32,067,858	70,421,941
Non-current liabilities				
Minority interests	4,907	4,907	-	-
	4,907	4,907	-	-
Total trade and other creditors	7,411,755	13,546,801	32,317,926	73,207,938

The amounts due to the shareholders and subsidiaries are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

26 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. Companies having the same shareholders and directors are considered by the directors to be related parties.

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Other financial assets				
Amounts receivable from related companies	10,982,645	10,676,417	8,516,864	8,210,636
Trade and other receivables				
Amounts due from group companies	-	-	38,159,333	63,606,350
Amounts due from related parties	6,322,000	6,523,208	1,022,355	822,367
Investment income				
Interest receivable from related parties	306,227	294,449	2,921,822	3,446,679
Other financial liabilities				
Amounts due to shareholder	-	1,970,937	1,662,766	1,676,690
Amounts due to subsidiaries	-	-	30,405,092	68,745,251

27 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.

28 Capital commitments

As at December 2022, the company has entered into promise of sale agreements with advance deposits amounting to €2,121,763 (2021 - €2,225,786). These agreements are expected to generate sales amounting to €21,217,630 (2021 - €22,257,860).

As at 31 December 2022, the Group had bank guarantees amounting to €262,161 in favour of third parties.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

29 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.

There is no ultimate controlling party as none of the shareholders hold more than 50% of the voting shares in the company.

30 Comparative information

The reclassification related to a reclassification of bonds into short-term and long-term. The amount reclassified amounted to €29,198,753 (2021 - €40,015,800). They were reclassified to conform with this year's presentation. The reclassification only affected the balance sheet.

TACS MALTA

Independent auditor's report

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

Report on the Annual Report and Consolidated Financial Statements for the year ended 31st December 2022.

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 10 to 41 which comprise the statement of financial position as at 31st December 2022 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 2022, and of the Company's and its Group's financial performance and their 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).

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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I am independent of the Company and 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.

My audit approach

Overview

- **Overall materiality - €294,961 (1% of the consolidated turnover)**
- **Key audit matter - Valuation of Inventory**

Scope and timing of the Group audit engagement

As part of designing my 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 consideration of whether there was evidence of bias that represent a risk of material misstatement due to fraud.

I tailored the scope of my audit in order to perform sufficient work to enable me to provide an opinion on the financial statements as a whole, taking into account the structure of the Company and the Group, the accounting processes and controls, and the industry in which the Company and the Group operates.

TACS MALTA

Independent auditor's report

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

Levels of materiality and methodology used for the group audit engagement

The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonable be expected to influence the economic decisions of the users taken on the basis of the financial statements.

Based on my professional judgement, I determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped me to determine the scope of my audit and the nature, timing and extent of my audit procedures and to evaluate the effect of misstatements, both individual and in aggregate of the financial statements as a whole.

The overall Group materiality amounted to €294,961 which represents 1% of the consolidated turnover. I chose total turnover 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.

I agreed with the Audit Committee that I would report to them misstatements identified during my audit above €294,961 as well as misstatements below that amount that, in my view, warranted reporting for qualitative reasons.

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 key audit matter identified was :

Valuation of inventory

The Group consists of companies holding immovable property for development and resale. 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 31st December 2022, the carrying amount of immovable property held by the Group as inventory represented 44% 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 31st December 2022 is explained in note 17 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 judgmental nature of the assumptions used by the directors in the assessment described above.

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Independent auditor's report

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

Valuation of inventory – continued

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

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

Other information

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, but does not include the financial statements and my auditor's report thereon.

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.

Responsibilities of the Directors and those charged with governance for the financial statements

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 and the Group'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.

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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 and the Group'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 and Group's ability to continue as a going concern and future events or conditions may cause the Company and the Group to cease to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications resulting from the conflict in Ukraine and the aftermath of the Covid-19 pandemic.

- 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 those charged with governance 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 those charged with governance 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.

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Independent auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements – continued

From the matters communicated with those charged with governance, I determined 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.

Report on Other Legal and Regulatory Requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

I have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive ("the ESEF Directive 6") on the Annual Financial Report of Gap Group p.l.c. for the year ended 31 December 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the financial statements, by reference to the Listing Rules Rule 5.56A, in accordance with the requirements of the ESEF RTS.

My responsibilities

My responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the financial statements, complies in all material respects with the ESEF RTS based on the evidence I have obtained. I conducted my reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

My procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.

- Obtaining the annual financial report and performing validations to determine whether the annual financial report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- Examining the information in the annual financial report to determine whether all the required taggings therein have been applied and whether in all material respects, they are in accordance with the requirements of the ESEF RTS.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the Annual Financial Report for the year ended 31 December 2022 has been prepared in accordance with the ESEF RTS in all material aspects.

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Independent auditor's report

To the Shareholders of Gap Group p.l.c

Report on Other Legal and Regulatory Requirements – continued

Report on Directors' Report

With respect to the Directors' Report, I also considered whether the Directors' 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 the Group and their environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Report and other information that I obtained prior to the date of the auditor's report. I have nothing to report in this regard.

Report on Corporate Governance – Statement of Compliance

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 and the Group's Annual Financial Report a Corporate Governance Statement explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance 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 and the Group'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 and the Group's corporate governance procedures, or its risk and control procedures.

In my opinion, the Statement of Compliance set out on pages 7 to 9 has been properly prepared in accordance with the requirements of Listing Rules issued by the Malta Listing Authority.

Consistency of the Audit Report with the Additional Report to the Audit Committee

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

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Independent auditor's report

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

Report on Other Legal and Regulatory Requirements – continued

Declaration on prohibited non-audited services

To the best of my knowledge and belief, I have not provided any non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281) and under Article 5(1) of the EU Audit Regulation No. 537/2014. During the period from 1 January 2022 to 31 December 2022, I provided the services disclosed in Note 4 to the financial statements in addition to the statutory audit.

Report on Other matters which I am required to report by exception

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 by 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.
- The information given in the Report of the Directors is not consistent with the financial statements.

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

Appointment

I was first appointed as auditor of the Company and the Group on 20th November 2020 for the financial year ended 31st December 2020. My appointment was renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years. The Company was listed on a regulated market on 26th October 2016.

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 : 25th April 2023