Reg. No. C96686

GAP QM LIMITED

FINANCIAL STATEMENTS

31st DECEMBER 2022

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31st DECEMBER 2022

The directors present their report and the audited financial statements of Gap QM Limited for the year ended 31st December 2022.

Principal Activities

The statement of comprehensive income for the year is set out on page 7.

The principal activity of the Company 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 principal activities in the forseeable future.

Review of business

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 promise of sale agreement.

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

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 7.

The Directors do not recommend the payment of a final dividend.

DIRECTORS' REPORT - CONTINUED

Directors

The Directors of the company as at 31st December 2022 who held office throughout the year were:-

Paul Attard
Adrian Muscat
George Muscat

In accordance with the company's memorandum and articles of association all the Directors remain in office.

Auditor

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

Approved by the Board of Directors and signed on its behalf by:

Paul Attard
Director

George Muscat
Director

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

Date : 25 April 2023

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Statement of the Directors' Responsibilities

The directors are required by the Maltese Companies Act 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial period and of its income statement for that period. In preparing the financial statements, the directors are required to:-

- ensure that the financial statements have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU;
- make judgments and estimates that are reasonable and prudent;
- ensure that applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act 1995. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the company are properly safeguarded and that fraud and other irregularities will be prevented or detected.

Approved by the Board of Directors and signed on its behalf by:

Paul Attard
Director

George Muscat
Director

Date : 25 April 2023

Independent auditor's report

To the Shareholders of GAP QM Limited.

Report on the Audit of the Financial Statements for the year ended 31st December 2022.

Opinion

I have audited the financial statements of Gap QM Limited, set out on pages 7 to 24 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 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 QM Limited as at 31st December 2022, and of the Company's financial performance and its 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 am independent of the Company 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

To the best of my knowledge and belief I have not provided any of the prohibited services as set out in the Accountancy Profession Act.

Information other than the Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the Directors' Report and the statement of the Directors' Responsibilities.

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.

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).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' 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; and

The Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Report.

Independent auditor's report

To the Shareholders of GAP QM Limited.

Responsibilities of the Directors

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 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.

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 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 obtined 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 ability to continue as a going concern and future events or conditions may cause the company to cease to continue as a going concern.

- 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 business activities within the company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

Independent auditor's report

To the Shareholders of GAP QM Limited.

Report on Other Legal and Regulatory Requirements

I am also responsible under the Companies Act (Cap. 386), I have responsibilities 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 from 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.

This copy of the audit report has been signed by
Pamela Fenech (Partner) for and on behalf of

TACS Malta Limited

1, Tal-Providenza Mansions,
Main Street,
Balzan
Malta
Date: 25 April 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31st DECEMBER 2022

	Notes	2022	2021
		€	€
Turnover	3	962,000	-
Cost of sales		(673,400)	-
Gross Profit		288,600	-
Administrative expenses		(57,432)	(4,049)
Profit / (loss) before taxation		231,168	(4,049)
Tax expense	7	(73,851)	-
Profit / (loss) for the year		157,317	(4,049)
Total Comprehensive income / (loss)		157,317	(4,049)
Earnings per share		1.37	0.00

The notes on pages 11 to 24 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2022

	Notes	2022	2021
		€	€
ASSETS			
Current assets			
Inventory - Development project	8	33,303,124	22,488,573
Trade and other receivables	9	972,495	34,847
Cash and bank balances	10	661,227	101,302
		34,936,846	22,624,722
Total Assets		34,936,846	22,624,722
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	5,000	5,000
Retained earnings / (Accumulated losses)		153,268	(4,049)
Total equity		158,268	951
Current liabilities			
Trade and other payables	12	5,396,269	3,307,317
Other financial liabilities	12	29,382,309	19,316,454
Total current liabilities		34,778,578	22,623,771
Total liabilities		34,778,578	22,623,771
Total equity and liabilities		34,936,846	22,624,722

The notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements on pages 7 to 24 were approved by the board of directors and were signed on its behalf by:

Paul Attard
Director

George Muscat
Director

Date : 25 April 2023

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2022

	Share Capital €	Profit and Loss Account €	Total €
Balance at 1st January 2021	-	-	-
Comprehensive loss			
Loss for the year	-	(4,049)	(4,049)
Transactions with owners			
Issue of share capital	5,000	-	5,000
Balance at 31st December 2021	5,000	(4,049)	951
Balance at 1st January 2022	5,000	(4,049)	951
Comprehensive profit			
Profit for the year	-	157,317	157,317
Balance at 31st December 2022	5,000	153,268	158,268

The notes on pages 11 to 24 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER 2022

	2022	2021
	€	€
Cash flows from operating activities		
Net profit / (loss) before taxation	231,168	(4,049)
Operating profit / (loss) before working capital changes	231,168	(4,049)
Trade and other receivables	(937,648)	(34,847)
Inventory	(10,814,551)	(22,488,573)
Creditors	2,088,952	3,307,317
Cash generated from operations	(9,432,079)	(19,220,152)
Income tax paid	(73,851)	-
Net cash used in operating activities	(9,505,930)	(19,220,152)
Cash flows from financing activities		
Increase in share capital	-	5,000
Related parties	10,065,855	19,316,454
Net cash from financing activities	10,065,855	19,321,454
Movement in cash and cash equivalents	559,925	101,302
Cash and cash equivalents at beginning of the year	101,302	-
Cash and cash equivalents at end of the year (note 10)	661,227	101,302

The notes on pages 11 to 24 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 Company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing the 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 Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company'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 Company's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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 Company.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The Company does not expect that new standards, interpretations and amendments will have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.2 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.

1.3 Financial assets

1.3.1 Impairment

The Company 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 Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Company 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 Company in full, without recourse by the Company 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.3 Financial assets - continued

1.3.1 Impairment - continued

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.

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.

1.4 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.

1.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.6 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.

1.7 Revenue and cost recognition

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.

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

1.8 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.

1.9 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

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

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

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

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

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

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

1.11 Trade and other receivables

Trade receivables are amounts due from customers for units sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the nominal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and other direct expenses.

When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against selling and other direct expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.12 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.

1.13 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.

1.14 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 company forms part of a group of companies owned by Gap Group p.l.c. The financial risk factors that relate to the group as whole in many cases apply to the company. The following are the financial risk factors that affect the whole group which also apply to the company.

The company's activities are potentially exposed 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 company is subject to market and economic conditions generally

The company 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 company's planning during the construction and completion of the projects, this shall have an adverse impact on the financial condition of the company 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 company 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 company 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 company, they could have a material adverse impact on the company and the Issuer's ability to meet its obligations.

(iii) The company depends on third parties in connection with its business, giving rise to counterparty risks

The company 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 company 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 company'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 company'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 company's control, and which could adversely affect the economic performance and value of the company'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 and supply of raw materials, building materials;
- acts of nature that may damage any of the properties or delay development thereof.

(v) The company may be exposed to environmental liabilities attaching to real estate property

The company 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 company 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 company'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.

(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 company may well not have sufficient funds to complete all the projects within the projected time-frames or to pay the contractors for works performed.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

2 Financial risk management - continued

2.1 Financial risk factors - continued

(viii) The Company may be exposed to cost overruns and delays in completion of the projects

Each of the projects being undertaken by the company 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 an impact on the financial condition of the respective subsidiary and/or the company, 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 company'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 company for units within the Project or Projects affected by such delay, which can have a significant adverse impact on the company'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 company 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. Borrowings are subject to fixed interest rates and principally consist of the public bonds. 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.

(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 company's projects in a timely manner.

(xii) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern; to maximise the return to stakeholders through the optimisation of the debt and equity balance.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

2 Financial risk management - continued

2.1 Financial risk factors - continued

(xii) Capital risk management - continued

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 Company 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 Company 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.

Furthermore, the Company manages its credit risk exposure in relation to receivables from fellow companies in an active manner, at arm's length and with interest charged 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 property held for development and resale, and is made up as follows:

	2022	2021
	€	€
Sale of property held for Development and resale	962,000	-
	962,000	-

4 Operating profit

The operating profit for the year is stated after charging :

	2022	2021
	€	€
Audit fees	3,540	2,360

5 Employees

	2022	2021
	€	€
Employment costs comprise:		
Wages and salaries recharged from related party	596,207	-
Social security recharged from related party	35,213	-
Capitalised wages and salaries during the year	(631,420)	-
	-	-

Wages and salaries & social security costs were recharged from intercompany Gap Group Contracting Limited and capitalised during the year.

6 Finance costs

	2022	2021
	€	€
Finance costs allocated to cost of sales (Inventories - Property development)		
Capitalised interest at 1st January	955,820	-
Capitalised interest during period	1,509,457	955,820
Capitalised interest at 31st December	(2,420,277)	(955,820)
	45,000	-

7 Tax expense

The company's income tax charge for the year has been arrived at as follows:

	2022	2021
	€	€
Current income tax		
Income tax subject to 8% final tax on sales of immovable property	73,851	-
Tax charge	73,851	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

7 Tax expense - continued

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

	2022	2021
	€	€
Net profit / (loss) for the year	231,168	(4,049)
Income tax thereon at 35% (statutory local income tax rate)	80,909	(1,417)
Tax effect of:		
Expenses disallowed for tax purposes	6,498	1,417
Difference arising on income subject to 5 & 8% withholding tax on sales	(13,556)	-
	73,851	-

8 Inventory - Development project

	2022	2021
	€	€
Property cost of land and development costs	33,303,124	22,488,573
	33,303,124	22,488,573

9 Trade and other receivables

	2022	2021
	€	€
Bank Guarantees	44,235	34,847
Amounts due from group companies	928,260	-
	972,495	34,847

All balances receivable from group companies are unsecured, interest free and have no fixed date for repayment.

10 Cash and cash equivalents

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

	2022	2021
	€	€
Cash in hand	47,600	-
Cash at bank	613,627	101,302
	661,227	101,302

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

11 Share capital

	2022	2021
	€	€
Authorised		
5,000 Ordinary shares of €1 each	5,000	5,000
	5,000	5,000
Issued and fully paid up		
5,000 Ordinary shares of €1 each	5,000	5,000
	5,000	5,000

12 Creditors

	2022	2021
	€	€
Trade and other payables		
Advanced Deposits	1,391,350	90,800
Trade creditors and accruals	4,004,919	3,216,517
	5,396,269	3,307,317
Other financial liabilities		
Amounts due to group companies	29,382,309	19,316,454
	29,382,309	19,316,454
Total trade and other creditors	34,778,578	22,623,771

The balances owed to group companies are unsecured, interest free and repayable on demand.

13 Transactions with related parties

The company is owned and jointly controlled by Gap Group p.l.c. and its group of companies. Companies having the same shareholders and directors are considered by the directors to be related parties.

During the course of the year, the company entered into transactions with the respective related parties and has the following balances:

	2022	2021
	€	€
Amounts due from group companies	928,260	-
Amounts due to group companies	29,382,309	19,316,454

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

13 Contingent liabilities

A. The 3.7% Secured Series I Bonds 2023-2025 and the 3.9% Series Bonds 2024-2026 of Gap Group plc are redeemable at par and are due for redemption at any date falling between 18th December 2023 and 17th December 2025 and by 30th December 2026 respectively. The bonds is secured for the full nominal value of secured bonds and interests thereon as follows consequently:

i. First ranking general hypothec over all present and future assets of Gap Group plc

ii. First ranking special hypothec over all present and future assets of the company and over the Mosta and Qawra Developments.

14 Capital commitments

As at 31 December 2022, the company has €1,391,350 advanced deposits that are expected to generate revenue amounting to €13,913,500.

As at year end, the company had bank guarantees amounting to €44,235 in favour of third parties.

15 Statutory information

Gap QM Limited is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema.

The company's parent company is Gap Group p.l.c. a company registered in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema. The financial statements of the company is included in the consolidated financial statements prepared by Gap Group p.l.c.