Reg. No. C 75856

GAP Group Investments (II) Limited

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31st DECEMBER 2021

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31st DECEMBER 2021

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 Investments (II) Limited for the year ended 31st December 2021.

Principal Activities

Gap Group Investments (II) Limited is the parent company of GAP Group p.l.c.. GAP Group p.l.c. was set up to raise financial resources from the capital market to primarily finance the property development projects of the companies forming part of the Group and also to restructure the Group.

Review of business

Works on the developments progressed well and within the scheduled time frames. The Group continued to sign new preliminary agreements at a steady pace whilst a record 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, 152 units have been sold (contracted) and a further 6 units were subject to a Preliminary Agreement as at 31st December 2021.

This means that 99% of the residential units were committed, out of which 96% have been contracted as at 31st December 2021

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, 213 units have been sold (contracted) and a further 48 units were subject to a Preliminary Agreement.

This means that 97% of the residential units were committed, out of which 79% have been contracted as at the end of the year.

Waterbank

The Waterbank development in Marsascala development 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, 23 units have been sold (contracted) and a further 23 units were subject to a Preliminary Agreement.

This means that 83% of the residential units were committed, out of which 37% have been contracted as at 31 December 2021.

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, 8 units have been sold (contracted) and a further 3 units were subject to a Preliminary Agreement.

This means that 79% of the residential units were committed, out of which 57% have been contracted by the end of the year.

Directors' report - continued

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, 1 unit has been sold (contracted) and a further 7 units were subject to a Preliminary Agreement.

This means that 88% of the residential units were committed, out of which 11% 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 will consist of 93 residential units and is expected to be fully complete in Q4 2022.

As at 31 December 2021, construction was 80% complete and finishing works were 20% complete. The project was launched in December 2021 and by the end of the year the company has signed 5 Preliminary agreements.

The Pantheon

Works on The Pantheon development in Mosta started in December 2020 and progressed at a steady pace. The project will consist in about 100 residential units and is expected to be fully complete in Q2 2023.

As at 31 December construction was 28% complete and finishing works were about to commence. The project was launched on the market in April 2022.

Bonds in issue

At the end of the year, GAP Group p.l.c. had three bonds in issue, namely the GAP Group p.l.c. 3.65% Secured Bonds 2022, the GAP Group p.l.c. 4.25% Secured Bonds 2023 and the GAP Group p.l.c. 3.7% Secured Bonds 2023 - 2025. As at 31 December 2021 the aggregate amount of bonds in issue amounted to €69,001,852 being €29,056,845 GAP Group p.l.c. 3.65% Secured Bonds 2022, €19,247,300 Gap Group p.l.c. 4.25% Secured Bonds 2023 and €20,697,707 Gap Group p.l.c. 3.7% Secured Bonds 2023 – 2025.

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023, the 3.65% Secured Bonds 2022 and the 3.7% Secured Bonds 2023 - 2025, a reserve account had been created by the Security Trustee to cover for the redemption of the three bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on condition that these units are freed from hypothecary rights and privileges against an agreed amount from the sale proceeds being deposited in the said Reserve Accounts.

By 31 December 2021, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €19,091,010 (i.e. 99% of the total bond repayment) and the Reserve Account of the 3.65% Secured Bonds 2022 carried a balance of €25,300,765 (i.e. 87% of the total bond repayment).

Directors' report - continued

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.

Events subsequent to the reporting period

On 6 December 2021, GAP Group p.l.c. has received regulatory approval for the issue of up to €21,000,000 GAP Group plc 3.9% Secured Bonds 2024 – 2026. Applications opened on 9 December 2021 and closed on 7 Jan 2022. In terms of the Prospectus, the company reserved up to €19,247,300 for the holders of the 4.25% GAP Group plc Secured Bonds 2023. The company received application amounting to €10,831,900 from the holders of the 4.25% GAP Group plc Secured Bonds 2023. The remaining balance of €10,168,100 was allocated to holders of the 4.25% GAP Group plc Secured Bonds 2023 in respect of any excess bonds applied for and to Authorised Financial Intermediaries.

Subsequently, following the allocation of the €21,000,000 GAP Group plc 3.9% Secured Bonds 2024 – 2026, the outstanding value of the 4.25% GAP Group plc Secured Bonds 2023 has been reduced to €8,415,400.

Results and dividends

The results for the year ended 31st December 2021 are shown in the income statement on Page 9. The Group registered a Profit of €8,931,244 (2020 - Profit of €3,972,251), while the Company registered a Profit of €2,490,005 (2020 - Loss of €6,713).

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

Directors

The directors of the Company who held office during the year were:

George Muscat
Paul Attard
Adrian Muscat

Company secretary

The Company's Secretary is Mr Paul Attard.

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 parent company and the group at the end of each financial year and of the profit or loss of the parent company and the group for the year then ended. In preparing the financial statements, the directors are responsible to:

- 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;
- 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 also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the parent company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report - continued

Auditor

EFS Audit Limited have expressed their willingness to continue in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

Approved by the Board of Directors and authorised for issue on 25 April 2022 and signed on its behalf by:

George Muscat
Director

Paul Attard
Director

Registered office:
Gap Holdings Head Office,
Censu Scerri Street,
Tigne,
Sliema Slm 3060
Malta
Date : 25 April 2022

Independent auditor's report

To the Shareholders of Gap Group Investments (II) Limited

Report on the Audit of the Financial Statements for the year ended 31st December 2021.

Opinion

I have audited the parent company financial statements and the consolidated financial statements (the "financial statements") of Gap Group Investments (II) Limited (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 2021 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 Investments (II) Limited and its Group as at 31st December 2021, and of the Company's and its Group'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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 Director's 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 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; 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 Group Investments (II) 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 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 ability to continue as a going concern and future events or conditions may cause the company 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 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.

Independent auditor's report

To the Shareholders of Gap Group Investments (II) Limited

Report on Other matters relating to the Companies Act

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 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.

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

This copy of the audit report has been signed by
Emanuel P. Fenech (Director) for and on behalf of

EFS Audit Limited
Certified Public Accountant
Registered Auditor

1, Tal-Providenza Mansions
Main Street
Balzan
Malta
Date: 25 April 2022

INCOME STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2021

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		€	€	€	€
Turnover	3	50,116,459	23,785,928	-	-
Cost of sales		(35,317,274)	(13,599,107)	-	-
Gross Profit		14,799,185	10,186,821	-	-
Administrative expenses		(2,559,979)	(1,174,040)	(9,635)	(6,598)
Operating profit / (loss)	4	12,239,206	9,012,781	(9,635)	(6,598)
Finance costs	6	(1,574,549)	(4,027,350)	(360)	(115)
Investment income	7	717,252	591,628	2,500,000	-
Profit/(loss) before taxation		11,381,909	5,577,059	2,490,005	(6,713)
Tax expense	8	(2,527,253)	(1,481,582)	-	-
Profit/(loss) for the year		8,854,656	4,095,477	2,490,005	(6,713)

STATEMENT OF COMPREHENSIVE INCOME

	Group 2021	Group 2020	Company 2021	Company 2020
Other comprehensive income				
Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable	76,588	(123,226)	-	-
Other comprehensive income/(loss) for the year	76,588	(123,226)	-	-
Total Comprehensive income/(loss)	8,931,244	3,972,251	2,490,005	(6,713)
Earnings per share	4,961.80	2,730.32	1,660.00	0.00

The notes on page 14 to 40 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2021

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	10	18,667	22,999	-	-
Investment in subsidiaries	11	-	-	2,499,996	2,499,996
Investments	12	9,670,000	6,096,900	-	-
Other financial assets	13	10,676,417	16,862,196	2,500,000	2,500,000
		20,365,084	22,982,095	4,999,996	4,999,996
Current assets					
Inventory - Development project	15	45,820,419	62,648,918	-	-
Trade and other receivables	16	25,701,646	9,799,876	16,514,484	6,363,339
Cash and bank balances	17	36,515,447	15,568,934	8,319	1,607,654
Income Tax refundable		-	18,563	-	-
		108,037,512	88,036,291	16,522,803	7,970,993
Total Assets		128,402,596	111,018,386	21,522,799	12,970,989

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2021 (continued)

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	1,800	1,500	1,800	1,500
Share Premium Account		18,455,244	12,774,700	18,455,244	12,774,700
Revaluation reserve	20	510,552	433,964	-	-
Retained earnings		18,535,281	9,680,625	2,470,909	(19,095)
Total equity		37,502,877	22,890,789	20,927,953	12,757,105
Non-current liabilities					
Bank loans	21	6,887,236	7,731,890	-	-
Other financial liabilities	22	4,907	4,907	-	-
Debt securities in issue	21	69,001,852	69,864,157	-	-
Total non-current liabilities		75,893,995	77,600,954	-	-
Current liabilities					
Bank overdraft and loans	21	1,090,332	500,205	-	-
Trade and other payables	22	11,583,001	10,026,438	11,446	23,484
Other financial liabilities	22	2,260,093	-	583,400	190,400
Taxation due		72,298	-	-	-
Total current liabilities		15,005,724	10,526,643	594,846	213,884
Total liabilities		90,899,719	88,127,597	594,846	213,884
Total equity and liabilities		128,402,596	111,018,386	21,522,799	12,970,989

The notes on pages 15 to 40 are an integral part of these financial statements.

The financial statements on pages 10 to 40 were approved by the board of directors and were signed on its behalf by:

George Muscat
Director

Paul Attard
Director

Date : 25 April 2022

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2021

	Note	Share Capital €	Share Premuim €	Revaluation Reserve €	Profit and Loss Account €	Total €
Group						
Balance at 1st January 2020		1,500	12,774,700	557,190	5,585,148	18,918,538
Comprehensive income						
Profit for the year		-	-	-	3,972,251	3,972,251
Revaluation reserve	20	-	-	(123,226)	123,226	-
Balance at 31st December 2020		1,500	12,774,700	433,964	9,680,625	22,890,789
Balance at 1st January 2021		1,500	12,774,700	433,964	9,680,625	22,890,789
Comprehensive income						
Profit for the year		-	-	-	8,931,244	8,931,244
Revaluation reserve	20	-	-	76,588	(76,588)	-
Transactions with owners						
Issue of share capital		300				
Increase in share premuim		-	5,680,544	-	-	5,680,544
Balance at 31st December 2021		1,800	18,455,244	510,552	18,535,281	37,502,577
Company						
Balance at 1st January 2020		1,500	12,774,700	-	(12,383)	12,763,817
Comprehensive loss						
Loss for the year		-	-	-	(6,713)	(6,713)
Revaluation reserve	20	-	-	-	-	-
Balance at 31st December 2020		1,500	12,774,700	-	(19,096)	12,757,104
Balance at 1st January 2021		1,500	12,774,700	-	(19,096)	12,757,104
Comprehensive income						
Profit for the year		-	-	-	2,490,005	2,490,005
Transactions with owners						
Issue of share capital		300				300
Increase in share premuim		-	5,680,544	-	-	5,680,544
Revaluation reserve	20	-	-	-	-	-
Balance at 31st December 2021		1,800	18,455,244	-	2,470,909	20,927,953

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER 2021

	Group 2021	Group 2020	Company 2021	Company 2020
	€	€	€	€
Cash flows from operating activities				
Net profit / (loss) before taxation	11,381,909	5,577,059	2,490,005	(6,713)
Adjustments for:				
Depreciation	14,106	9,004	-	-
Investment income	(717,252)	(591,628)	(2,500,000)	-
Interest expenses	1,574,549	4,027,350	360	115
Fair value gain on interest-free long term receivable	76,588	(123,226)	-	-
Operating profit / (loss) before working capital changes	12,329,900	8,898,559	(9,635)	(6,598)
Trade and other receivables	(2,250,410)	209,137	1	1
Inventory - Development Project	16,828,499	(13,690,584)	-	-
Trade and other payables	1,556,563	(975,388)	(12,040)	11,834
Cash generated from operations	28,464,552	(5,558,276)	(21,674)	5,237
Interest payable	(1,574,549)	(4,027,350)	(360)	(115)
Income tax paid	(2,436,392)	(1,468,307)	-	-
Net cash from / (used in) operating activities	24,453,611	(11,053,933)	(22,034)	5,122
Cash flows from investing activities				
Purchase of fixed assets	(9,774)	(1)	-	-
Investments (net)	(3,573,100)	(85,020)	-	-
Investment income	717,252	591,628	2,500,000	-
Net cash (used in) / from investing activities	(2,865,622)	506,607	2,500,000	-
Cash flows from financing activities				
Increase in share capital	300	-	300	-
Share premium	5,680,544	-	5,680,544	-
Shareholders' loans	(7,859,215)	(1,857,748)	(8,880,498)	1,609,264
Directors' loans	-	5,627,686	-	-
Related parties	(3,532,052)	(6,092,402)	(877,647)	(5,687,488)
Bank loans (net)	245,678	1,596,140	-	-
Bonds and debentures	(862,305)	12,873,256	-	-
Other financial assets	6,185,779	(6,727,128)	-	5,680,044
Net cash from financing activities	(141,271)	5,419,804	(4,077,301)	1,601,820
Movement in cash and cash equivalents	21,446,718	(5,127,522)	(1,599,335)	1,606,942
Cash and cash equivalents at beginning of the year	15,068,729	20,196,251	1,607,654	712
Cash and cash equivalents at end of the year (note 17)	36,515,447	15,068,729	8,319	1,607,654

The notes on pages 14 to 40 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2021

The Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2021. 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

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 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 2021

1 Summary of significant accounting policies

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.4 Financial assets - (continued)

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").

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.4 Financial assets - (continued)

1.4.3 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.

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 2021 or 1 January 2021 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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 subisidiaries.

The company acquired the shares in its subsidiaries during the period ended 31st December 2016 and the period ended 31st December 2019. The subsidiaries aquired 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 subisidiaries in the group in 2020 and 2021.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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.

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
Plant & Machinery	8
Computer & Off. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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 2021

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 2021

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 2021

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management - continued

2.2 Financial risk factors - continued

(x) Fair value interest rate risk

The Group 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 Group holds available for sale investments which are limited to Corporate bonds and bank deposits. The 4.25% Secured Bonds 2023, the 3.65% Secured Bonds 2022 and the 3.7% Secured Bonds 2023 - 2005 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.

(xi) Liquidity risk

The Group 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.

On 6 December 2021, the Group published a Prospectus for the issue of €21,000,000 secured bonds of a nominal value of €100 each. Part of the net proceeds will used to finance the acquisition of a plot of Land in Qawra (referred to as Qawra III Development) whereas the remaining balance will be used to finance the working capital requirements of the three different projects in 2022.

In the next 12 months, the group requires to raise further funding to finish the plot of land of Qawra III Development. Funds should primarily be raised through the issue of another bond. In the event that the bond will not be issued, or, should it become unfeasible for the Issuer to proceed with a capital market transaction due to prevailing market conditions affecting the demand for the purchase of listed debt instruments of the Issuer, the Group may be required to fund the additional funding through bank finance, own reserves or a mix thereof. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management - 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, the 3.65% Secured Bonds 2022 and the 3.7% Secured Bonds 2023-2025.

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 3.65% 2022 Secured Bonds and the 3.7% Secured Bonds 2023-2025). During the year under review, the available for sale investments were limited to purchases in reliable Corporate Bonds (€9.6 Million) whilst the cash at Bank was held with local quality financial institutions (€35.25 Million). The Reserve Account is administered by the Security Trustee of the 4.25% 2023 Secured Bonds and the 3.65% 2022 Secured 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.

3 Turnover

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Sale of property held for Development and resale	50,116,459	23,785,928	-	-
	50,116,459	23,785,928	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

4 Operating profit / (loss)

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Directors' fees	188,584	155,744	-	-
Employment costs - Note 5	671,742	538,626	-	-
Depreciation - Note 10	14,106	9,004	-	-
Audit fees - Annual statutory audit	43,057	45,588	5,723	5,723

5 Employees

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Employment costs comprise:				
Wages and salaries - adminstration	184,959	134,914	-	-
Wages and salaries - allocated to cost of sales	451,984	374,856	-	-
Social security costs - administration	10,408	6,522	-	-
Social security costs - allocated to cost of sales	24,391	22,334	-	-
	671,742	538,626	-	-
The average weekly number of persons employed by the group during the year was:	19	16	-	-
Directors' Remuneration	42,000	12,000	-	-
Directors' salary - allocated to cost of sales	144,058	143,742	-	-
	186,058	155,742	-	-

6 Finance costs

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest and amortisation costs	1,574,189	1,496,427	-	-
Premium on buy-back of Bonds	-	314,397	-	-
	1,574,189	1,810,824	-	-
Finance costs allocated to cost of sales (Inventories - Property development)				
At 1st January	2,598,494	3,251,028	-	-
Interest capitalised during year	1,555,515	1,563,877	-	-
At 31st December	(2,479,349)	(2,598,494)	-	-
Charge of capitalised interest for the year	1,674,660	2,216,411	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

7 Investment income

	Group 2021	Group 2020	Company 2021	Company 2020
	€	€	€	€
Interest from Maltese banks	-	227	-	-
Interest receivable from related parties	294,449	274,594	-	-
Interest receivable from investments	397,001	316,807	-	-
Dividends from Maltese sources	-		2,500,000	-
Gains/disposal on investment	25,802	-	-	-
	717,252	591,628	2,500,000	-

8 Tax expense

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

	Group 2021	Group 2020	Company 2021	Company 2020
	€	€	€	€
Current income tax				
Income tax on taxable income at 15%	67,935	44,841	-	-
Income tax subject to final tax of 5% and 8% on sales of immovable property	2,459,318	1,436,741	-	-
Tax charge	2,527,253	1,481,582	-	-

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

	Group 2021	Group 2020	Company 2021	Company 2020
	€	€	€	€
Net profit / (loss) for the year	11,381,909	5,577,059	2,490,005	(6,713)
Income tax thereon at 35%	3,983,668	1,951,971	871,502	(2,350)
Depreciation charges not deductable by way of capital allowances	18	15	-	-
Difference arising from interest received	(71,017)	(32,615)	-	-
Difference resulting from different tax rates on bank interest received	-	(59,788)	-	-
Expenses disallowed for tax purposes	266,896	752,893	3,498	2,350
Difference arising on income subject to 5-8% withholding tax on sales of immovable property	(3,684,447)	(2,050,186)	-	-
Difference arising on adjustment to revaluation of inventories	2,041,166	919,292	-	-
Exempt income	(9,031)	-	(875,000)	-
	2,527,253	1,481,582	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

9 Fair value adjustment

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Difference arising on amortised cost on interest free loan given to Gap Holdings Limited (note 13)				
Amount as at 31st December	2,465,781	2,465,781	-	-
Amount as at 1st January	(2,465,781)	(2,469,361)	-	-
	-	(3,580)	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

10 Property, plant and equipment

GROUP

	Plant & Machinery	Computer & Off. Equip.	Motor Vehicles	Furniture & Fittings	Total
	€	€	€	€	€
Cost					
At 1st January 2021	1,836	10,592	54,000	437	66,865
Additons during the year	-	8,491	-	1,283	9,774
At 31st December 2021	1,836	19,083	54,000	1,720	76,639
Depreciation					
At 1st January 2021	537	10,592	32,300	437	43,866
Charge for the year	460	2,641	10,749	256	14,106
At 31st December 2021	997	13,233	43,049	693	57,972
Net book value					
At 31st December 2021	839	5,850	10,951	1,027	18,667
At 31st December 2020	1,299	-	21,700	-	22,999

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

11 Investment in subsidiary undertakings

	Group	Company	
	2021 & 2020	2021	2020
	€	€	€
Shares in subsidiary undertakings			
GAP Group p.l.c (C75875) - 2,499,996 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	2,499,996	2,499,996
Total	-	2,499,996	2,499,996

Gap Group p.l.c. (C75875) owns the following companies: Geom Developments Limited (C50805), Geom Holdings Limited (C64409), Gap Gharghur Limited (C72015), Gap Mellieha (I) Limited (C72013), Gap Group Contracting Limited (C75879), Gap Luqa Limited (C32225), GAP QM Limited (C96686) and GAP Qawra Limited (C100513)

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 23.

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 acivity.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

12 Investments

Investments -FVOCI	Interest rate	Redemption date	Group 2020	Company 2020
			€	€
Corporate Bonds	3.75%	2026	2,010,000	-
Corporate Bonds	3.85%	2028	700,000	-
Corporate Bonds	3.65%	2029	911,900	-
Corporate Bonds	3.80%	2029	2,475,000	-
			6,096,900	-

Investments -FVOCI	Interest rate	Redemption date	Group 2021	Company 2021
			€	€
Corporate Bonds	5%	2023	2,350,000	-
Corporate Bonds	3.25-3.75%	2026	2,297,500	-
Corporate Bonds	3.85%	2028	705,700	-
Corporate Bonds	3.65-3.80%	2029	3,402,900	-
Corporate Bonds	3.5%	2031	711,900	-
Corporate Bonds	3.65%	2033	202,000	-
			9,670,000	-

13 Other financial assets

	Group 2021	Group 2020	Company 2021	Company 2020
	€	€	€	€
Amount receivable from Gap Holdings Limited - Maturity date 2026	2,465,781	2,465,781	-	-
Amount receivable from Gap Holdings Limited - Maturity date 2026	8,210,636	7,916,188	-	-
Funds held by trustee for the redemption of the 2022 and 2023 Bonds	-	2,107,227	-	-
Funds held by trustee relating to the 2023-2025 Bonds	-	4,373,000	-	-
GAP Group p.l.c. - Subordinated shareholder's loan			2,500,000	2,500,000
	10,676,417	16,862,196	2,500,000	2,500,000

At 31st December 2021, the amount due by Gap Holdings Limited of €2,465,781 (2020 €2,465,781) is non-interest bearing and is expected to be repaid by December 2026 (2020 - December 2025). The nominal amount of the loan is €3,000,000.

The amount due by Gap Holdings Limited of €8,210,636 (2020 €7,916,188) is expected to be repaid by December 2026 and is unsecured. The amount receivable bears interest at 4.0% per annum (2020 - 3.7% per annum).

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

14 Reserve Account

	2021	2020
	€	€
The reserve fund is made up as follows:		
Amount held by the trustee as part of the Investments listed under Investments (See Note 12) held for the redemption of the 2022 and 2023 Bond	9,670,000	6,096,990
Funds held by trustee for the redemption of the 2022, 2023 and 2025 Bonds listed under Other financial assets (See Note 13)	-	6,480,227
Amount held by the trustee held for the redemption of the bonds (refer to note 17)	35,246,911	7,528,126
	44,916,911	20,105,343

15 Inventory - Development project

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Property cost of land and development costs	40,425,960	51,303,412	-	-
Capitalised borrowing costs (refer to note 6)	2,479,349	2,598,434	-	-
Fair value adjustment on acquisition of subsidiaries	23,032,927	23,032,927	-	-
Fair value adjustment reversed on sale of property	(20,117,817)	(14,285,915)	-	-
	45,820,419	62,648,858	-	-

16 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Amounts receivable	2,782,918	651,283	-	-
Amount due from shareholders/directors	15,636,837	5,517,529	15,636,837	5,485,692
Amounts due from group companies	-	-	-	877,647
Amount due from related parties	7,107,207	3,575,155	877,647	-
Accrued interest receivable	174,684	55,909	-	-
	25,701,646	9,799,876	16,514,484	6,363,339

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

17 Cash and cash equivalents

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Cash in hand	246,423	146,243	-	-
Bank deposits	36,269,024	15,422,691	8,319	1,607,654
	36,515,447	15,568,934	8,319	1,607,654
Bank overdraft	-	(500,205)	-	-
	36,515,447	15,068,729	8,319	1,607,654

18 Share capital

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Authorised				
1,800 Ordinary shares of €1 each	1,800	1,500	1,800	1,500
	1,800	1,500	1,800	1,500
Issued and fully paid up				
1,800 Ordinary shares of €1 each	1,800	1,500	1,800	1,500
	1,800	1,500	1,800	1,500

19 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	
	2021	2020	2021	2020
	€	€	€	€
Profit/(loss) for the year	8,854,656	4,095,477	2,490,005	(6,713)
Weighted average share in issue	1,500	1,500	1,500	1,500
Earnings per share	5903.10	2730.32	1660.00	0.00

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 2021

20 Revaluation reserve

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Gain on amortisation of long term interest free loan receivable (see note 9)	510,552	433,964	-	-
	510,552	433,964	-	-

21 Borrowings

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Short term - falling due within one year				
Bank overdrafts	-	500,205	-	-
Bank loans	1,090,332	-	-	-
Total short term borrowings	1,090,332	500,205	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

21 Borrowings (Continued)

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Long term - falling due after one year				
Bank loans	6,887,236	7,731,890	-	-

A subsidiary within the group has a loan of €596,586 (2020 - €1,908,000) which bears interest at 4% per annum and is repayable by the year 2022 from sale proceeds of immovable properties. Another subidiary within the group has another loan of €2,590,650 (2020 - €5,823,890) which bears interest at 4.25% per annum and is repayable by the year 2023 from sale proceeds of immovable properties.

GAP group p.l.c has a bank loan facility of €4,790,332 which bears interest at 0.25% (supported by the Malta Development Bank). This is repayable by the year 2024 by means of monthly installments.

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

Non-current

	Group		**Company**	
	2021	2020	2021	2020
	€	€	€	€
4.25% Secured Bonds 2023	19,247,300	19,247,300	-	-
3.65% Secured Bonds 2022	29,118,400	30,367,500	-	-
3.7% Secured Bonds 2023 - 2025	21,000,000	21,000,000	-	-
	69,365,700	70,614,800	-	-

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 the effective yield method as follows:

Face value				
4.25% Secured Bonds 2023	19,247,300	19,247,300	-	-
3.65% Secured Bonds 2022	29,118,400	30,367,500	-	-
3.7% Secured Bonds 2023 - 2025	21,000,000	21,000,000	-	-
	69,365,700	70,614,800	-	-
Amortised cost				
Issue of bond costs	1,181,530	1,181,530	-	-
Issue of bond costs amortised	(817,682)	(430,887)	-	-
	363,848	750,643	-	-
Amortised cost	69,001,852	69,864,157	-	-

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

Face value	2021	2020
Secured Bonds 2023	4.25%	4.25%
Secured Bonds 2022	3.65%	3.65%
Secured Bonds 2023-2025	3.70%	3.70%

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 2021

22 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.

23 Creditors

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade and other payables				
Trade creditors and accruals	7,549,559	7,109,657	11,446	23,484
Advance deposits received on promise of sale agreements	2,225,786	2,879,871	-	-
Other creditors	1,752,700	-	-	-
Other taxation	54,956	36,910	-	-
	11,583,001	10,026,438	11,446	23,484
Other financial liabilities				
Amounts due to shareholders	2,260,093	-	-	-
Amounts due to subsidiaries	-	-	583,400	190,400
	2,260,093	-	583,400	190,400
Non-current liabilities				
Minority interests	4,907	4,907	-	-
	4,907	4,907	-	-
Total trade and other creditors	13,848,001	10,031,345	594,846	213,884

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

24 Transactions with related parties

All companies forming part of Gap Group p.l.c., its subsidiary are considered by the directors to be part of the group of Companies. Companies having the same shareholders and directors are considered by the directors to be related parties. All companies forming part of Gap Group Investments (II) Limited are considered by the directors to be part of the group of Companies. Companies having the same shareholders and directors are considered by the directors to be related parties.

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Other financial assets				
Amounts receivable from related companies	10,676,417	10,381,969	2,500,000	2,500,000
Trade and other receivables				
Amounts due from shareholders/directors	15,636,837	5,517,529	15,636,837	5,485,692
Amounts due from group companies	-	-	-	877,647
Amounts due from related companies	7,107,207	3,575,155	877,647	-
Investment Income				
Interest receivable from related parties	294,449	274,594	-	-
Dividends receivable from related parties	-	-	2,500,000	-
Other financial liabilities				
Amounts due to shareholders	2,260,093	-	-	-
Amounts due to subsidiaries	-	-	583,400	190,400

25 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.

As at 31 December 2021, the Group had bank guarantees amounting to €233,702 in favour of third parties.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

26 Capital commitments

As at December 2021, the Group has entered into promise of sale agreements with advance deposits amounting to €2,225,786 (2020 - €2,879,871). These agreements are expected to generate sales amounting to €22,257,860 (2020 - €28,798,710).

27 Statutory information

Gap Group Investments (II) 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 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.

28 Comparative information

Comparative figures in the main components of the financial statements have been reclassified to confirm with the current year's presentation format for the purposes of fairer presentation.