# COMPANY ANNOUNCEMENT

## GAP Group plc

**Reference:** GGP 048

**Announcement date:** 27 August 2020

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

**QUOTE**

The Board of Directors of the Company met on Thursday 27 August 2020 and approved the condensed interim consolidated financial statements for the period ended 30 June 2020. A copy of the financial statements is attached to this announcement.

The condensed interim consolidated financial statements are available for viewing and download at the Company's website: http://www.gap.com.mt/content/INVESTORRELATIONS.html, and can also be viewed at the Company's registered office.

**UNQUOTE**

Paul Attard
Company Secretary

**27 August 2020**

# GAP GROUP p.l.c.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 30th JUNE 2020

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## DIRECTORS' REPORT

## FOR THE PERIOD ENDED 30th JUNE 2020

**Interim Directors' report pursuant to Listing Rules 5.75.2**

This interim report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by GAP Group p.l.c. (the 'Company') in its published annual report. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30th June 2020, as approved by the Board of Directors on the 27 August 2020 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

**Principal Activities**

The principal activity of GAP Group P.L.C. was set up to raise financial resources from the capital market to primarily finance the property development projects of the companies forming part of the group and also to restructure the Group.

**Review of business**

Works on the developments progressed well and within the scheduled time frames. The Group continued to sign new preliminary agreements at a steady pace whilst a good number of contrats from the Mellieha and Luqa developments were signed during the financial year under review.

*The Mellieħa development*

As at 30 June 2020, the entire Mellieha project is complete and fully finished. Out of the 159 residential units, 94 units have been sold (contracted) and a further 24 units were subject to Preliminary agreement as at 30 June 2020.
This means that 74% of the residential units were committed, out of which 80% have been contracted as at 30 June 2020.

*The Luqa Development*

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

As at 30 June 2020, Zones A and B were fully complete. The construction of Zone C was 70% complete, whilst trade works have just commenced. The construction of Zone D was 35% complete and trade works were yet to commence. With regards to Zone E, excavation works are fully complete and construction works are yet to start. It is envisaged that construction works on all Zones shall be fully complete by Q2 2021 whilst all trade works will be completed by Q3 2021.

As at 30 June 2020, out of the 187 units from the first 3 Zones that were placed on the market, 93 units have been sold (contracted) and a further 86 units were subject to a preliminary agreement.

This means that 96% of the residential units available on the market were committed, out of which 50% have been contracted.

*The Marsascala Development*

During 2019 one of the subsidiaries acquired a plot of land in Marsascala. As at 30 June 2020 excavation works were 100% complete, construction works were 45% complete, whilst trade works were about to commence.

The project consists of 63 residential units and is envisaged to be fully complete by Q2 2021. As at 30 June 2020, 7 units were subject to a preliminary agreement, which means that 11% of the residential units were committed.

**Directors' report - continued**

*The San Pawl tat-Targa Development*

The project consists of 9 residential units and 8 garages. As at 30 June 2020 demolition and excavation works were fully complete, whereas construction works were 20% complete. The apartments were not placed on the market as at the end of the reporting period.

*The Birkirkara Development*

The project consists of 14 residential units and 9 garages. As at 30 June 2020 demolition and excavation works were fully complete, whereas construction works were 20% complete. The apartments were not placed on the market as at the end of the reporting period.

*The Qawra Development (Blocks A, B and C only)*

The project was completed in 2017. More residential units were contracted during 2020, bringing the total number of contracted units to 61 (99%). The last remaining unit is subject to a preliminary agreement.

The development is a joint venture between GEOM Developments Limited (Blocks A, B and C) and GEOM Holdings Limited (Blocks D, E, F and G), both subsidiaries of the Company.

*The Żebbuġ Development*

The project was completed in 2017 and all the apartments were contracted by the end of Q2 2017. During 2020, more garages were contracted. The remaining stock consists of 4 garages.

**Reserve Account**

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023 and the 3.65% Secured Bonds 2022, a reserve account had been created by the Security Trustee to cover for the redemption of both 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 the 30 June 2020, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €17,909,250 (i.e. 92% of the total bond repayment) and the Reserve Account of the 3.65% Secured Bonds 2022 carried a balance of €3,401,702 (i.e. 9% of the total bond repayment).

**Principal risks and uncertainties for the remaining six months of the financial year**

Although the development works of the afore-mentioned projects and the securing of new sales by way of preliminary agreements are progressing as planned, the company is still subject to several financial risk factors including the market, economic, counter-party, credit and liquidity risks amongst others that may affect the projects and their timely completion. Where possible, the board provides principles for the overall risk management as well as policies to mitigate these risks in the most prudent way.

**Events subsequent to the reporting period**

Following the developments of the COVID-19 pandemic, the Company is closely monitoring the situation resulting from these events and the effects which these may have on its stakeholders, operations and performance. The COVID-19 pandemic has caused disruption to businesses and economic activity which has also been reflected in volatility in the property market.

The Directors consider that it is premature to forecast the impact of the pandemic on the financial and operational performance of the Company itself, more so since developments continue to unfold daily. Whilst the Directors believe that the pandemic will affect sales of property during 2020, they are confident that the Company has in place robust financial fundamentals and proper resources to enable it to meet the challenges that the pandemic may present.

**Directors' report - continued**

**Statement of Directors' responsibilities**

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company at the end of each financial period and of the profit or loss of the company for the period then ended. In preparing the financial statements, the directors should:

- Ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- report comparative figures corresponding to those of the preceding accounting period

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

**Directors' Statement pursuant to Listing Rule 5.75.3**

The directors confirm that to the best of their knowledge:

- The condensed interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair value of the financial position of the company as at 30th June 2020, and its financial performace and cash flows for the period then ended.
- The Interim Directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

On behalf of the Board of Directors:

**George Muscat**
Chairperson

**Paul Attard**
Director

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

Date: 27 August 2020

## INCOME STATEMENT

## FOR THE PERIOD ENDED 30th JUNE 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Jan - June | Jan - Dec | Jan - June | Jan - Dec |
| | € | € | € | € |
| Turnover | 14,392,000 | 28,286,610 | - | - |
| Cost of sales | (10,035,022) | (20,499,676) | - | - |
| **Gross Profit** | 4,356,978 | 7,786,934 | - | - |
| Administrative expenses | (684,507) | (1,650,092) | (40,947) | (104,503) |
| **Operating profit / (loss)** | 3,672,471 | 6,136,842 | (40,947) | (104,503) |
| Finance costs | (1,355,538) | (3,492,616) | (1,307,613) | (3,828,576) |
| Investment income | 362,011 | 728,782 | 1,563,838 | 2,827,041 |
| **Profit/(loss) before taxation** | 2,678,944 | 3,373,008 | 215,278 | (1,106,038) |
| Tax expense | (985,422) | (2,244,542) | (5,757) | (51,731) |
| **Profit/(loss) for the period/year** | 1,693,522 | 1,128,466 | 209,521 | (1,157,769) |

## STATEMENT OF COMPREHENSIVE INCOME

| | | | | |
|---|---|---|---|---|
| **Other comprehensive income** | | | | |
| Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable | (27,546) | 157,130 | (27,546) | 37,880 |
| Other comprehensive income for the year / period | (27,546) | 157,130 | (27,546) | 37,880 |
| **Total Comprehensive Income/(Loss)** | 1,665,976 | 1,285,596 | 181,975 | (1,119,889) |
| **Earnings per share** | 0.68 | 0.45 | 0.08 | 0.00 |

## STATEMENT OF FINANCIAL POSITION - 30th JUNE 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Jan - June | Jan - Dec | Jan - June | Jan - Dec |
| | € | € | € | € |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 27,023 | 32,002 | 3,250 | 4,250 |
| Investment in subsidiaries | - | - | 34,333,574 | 34,333,574 |
| Investments | 6,189,000 | 6,011,880 | 6,189,000 | 6,011,880 |
| Loans and other receivables | 10,248,252 | 10,135,068 | 8,225,141 | 7,665,706 |
| | 16,464,275 | 16,178,950 | 48,750,965 | 48,015,410 |
| **Current assets** | | | | |
| Inventory - Development project | 43,134,339 | 48,958,334 | - | - |
| Trade and other receivables | 3,413,938 | 2,521,677 | 21,448,525 | 25,544,645 |
| Cash and bank balances | 19,051,709 | 20,195,539 | 15,947,617 | 17,985,525 |
| Income Tax refundable | 31,842 | 31,839 | - | - |
| | 65,631,828 | 71,707,389 | 37,396,142 | 43,530,170 |
| **Total Assets** | 82,096,103 | 87,886,339 | 86,147,107 | 91,545,580 |

## STATEMENT OF FINANCIAL POSITION - 30th JUNE 2020 (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Jan - June | Jan - Dec | Jan - June | Jan - Dec |
| | € | € | € | € |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Subordinated shareholders' loan - Quasi equity | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Revaluation reserve | 529,644 | 557,190 | 90,334 | 117,880 |
| Retained earnings/Accumulated losses | 7,291,051 | 5,597,529 | (503,290) | (712,812) |
| Total equity | 12,820,695 | 11,154,719 | 4,587,044 | 4,405,068 |
| **Non-current liabilities** | | | | |
| Bank loans | 6,930,710 | 6,135,750 | - | |
| Other financial liabilities | 4,907 | 4,907 | - | - |
| Debt securities in issue | 55,699,812 | 56,990,901 | 55,699,812 | 56,990,901 |
| Total non-current liabilities | 62,635,429 | 63,131,558 | 55,699,812 | 56,990,901 |
| **Current liabilities** | | | | |
| Trade and other payables | 5,559,270 | 10,990,174 | 1,040,895 | 1,328,679 |
| Other financial liabilities | 1,080,709 | 2,609,887 | 24,811,210 | 28,812,786 |
| Taxation due | - | 1 | 8,146 | 8,146 |
| Total current liabilities | 6,639,979 | 13,600,062 | 25,860,251 | 30,149,611 |
| Total liabilities | 69,275,408 | 76,731,620 | 81,560,063 | 87,140,512 |
| **Total equity and liabilities** | 82,096,103 | 87,886,339 | 86,147,107 | 91,545,580 |

The financial information on pages 5 to 9 were approved by the board of directors and were signed on its behalf by:

**George Muscat**
Chairperson

**Paul Attard**
Director

Date : 27 August 2020

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30th JUNE 2020

| | Share Capital € | Quasi Equity € | Revaluation Reserve € | Profit and Loss Account € | Total € |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance at 1st January 2019 | 2,500,000 | 2,500,000 | 400,060 | 4,469,063 | 9,869,123 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | - | 1,285,596 | 1,285,596 |
| Revaluation reserve | - | - | 157,130 | (157,130) | - |
| **Balance at 31st December 2019** | 2,500,000 | 2,500,000 | 557,190 | 5,597,529 | 11,154,719 |
| Balance at 1st January 2020 | 2,500,000 | 2,500,000 | 557,190 | 5,597,529 | 11,154,719 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | - | 1,665,976 | 1,665,976 |
| Revalation reserve | - | - | (27,546) | 27,546 | - |
| **Balance at 30th June 2020** | 2,500,000 | 2,500,000 | 529,644 | 7,291,051 | 12,820,695 |
| **Company** | | | | | |
| **Comprehensive income** | | | | | |
| Balance at 1st January 2019 | 2,500,000 | 2,500,000 | 80,000 | 444,958 | 5,524,958 |
| Loss for the year | - | - | - | (1,119,890) | (1,119,890) |
| Revalutaion reserve | - | - | 37,880 | (37,880) | - |
| **Balance at 31st December 2019** | 2,500,000 | 2,500,000 | 117,880 | (712,812) | 4,405,068 |
| Balance at 1st January 2020 | 2,500,000 | 2,500,000 | 117,880 | (712,812) | 4,405,068 |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | - | 181,975 | 181,975 |
| Revalutaion reserve | - | - | (27,546) | 27,546 | - |
| **Balance at 30th June 2020** | 2,500,000 | 2,500,000 | 90,334 | (503,291) | 4,587,043 |

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Jan - June | Jan - Dec | Jan - June | Jan - Dec |
| | € | € | € | € |
| **Cash flows from operating activities** | | | | |
| Net profit/loss before taxation | 2,678,944 | 3,373,008 | 215,278 | (1,106,038) |
| Adjustments for: | | | | |
| Depreciation | 4,979 | 8,621 | 1,000 | 2,000 |
| Investment income | (362,011) | (728,782) | (1,563,838) | (2,827,041) |
| Interest expenses | 1,355,538 | 3,492,616 | 1,307,613 | 3,828,575 |
| Fair value gain on interest free long term receivable | (27,546) | 157,130 | (27,546) | 37,880 |
| **Operating profit / (loss) before working capital changes** | 3,649,904 | 6,302,593 | (67,493) | (64,624) |
| Trade and other receivables | 515,318 | (767,996) | 181,007 | (5,796,429) |
| Inventory - Developent Project | 5,823,995 | (26,172,033) | - | - |
| Trade and other payables | (5,430,904) | 6,049,599 | (287,989) | 887,052 |
| **Cash generated from operations** | 4,558,313 | (14,587,837) | (174,475) | (4,974,001) |
| Interest payable | (1,355,538) | (3,492,616) | (1,307,613) | (3,828,575) |
| Income tax paid | (985,426) | (2,236,576) | (5,552) | (43,771) |
| *Net cash from / (used in) operating activities* | 2,217,349 | (20,317,029) | (1,487,640) | (8,846,347) |
| **Cash flows from investing activities** | | | | |
| Purchase of fixed assets | - | (10,835) | - | |
| Investments (net) | (177,120) | (1,924,380) | (177,120) | (16,523,422) |
| Investment income | 362,011 | 728,782 | 1,563,838 | 2,827,041 |
| *Net cash from / (used in) investing activities* | 184,891 | (1,206,433) | 1,386,718 | (13,696,381) |
| **Cash flows from financing activities** | | | | |
| Shareholders' loans | (1,529,178) | 2,468,066 | (1,627,574) | 3,014,260 |
| Related parties | (1,407,579) | (2,207,213) | 1,541,111 | 5,089,809 |
| Bank loans (net) | - | 6,135,750 | - | - |
| Bonds and debentures | (1,291,089) | 17,517,667 | (1,291,089) | 17,517,667 |
| Other loans | 681,776 | 3,480,769 | (559,434) | 1,196,413 |
| *Net cash (used in) / from financing activities* | (3,546,070) | 27,395,039 | (1,936,986) | 26,818,149 |
| **Movement in cash and cash equivalents** | (1,143,830) | 5,871,577 | (2,037,908) | 4,275,421 |
| **Cash and cash equivalents at beginning of the year** | 20,195,539 | 14,323,962 | 17,985,525 | 13,710,104 |
| **Cash and cash equivalents at end of the year** | 19,051,709 | 20,195,539 | 15,947,617 | 17,985,525 |

## NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

### 1 General information

GAP Group p.l.c. (the "Company") is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema, SLM 3060, Malta.

The parent company of Gap Group p.l.c. is Gap Group Investments II Limited, a company registered in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema, SLM 3060, Malta.

### 2 Summary of significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) with the requirements of the the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below .

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise their judgements in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

### 2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. The Group financial statements include the financial statements of the parent Company and all its subisidiaries.

The Company acquired the shares in GAP Luqa Limited during the period ended 30th June 2019. The subsidiary was acquired at the net asset value of the subsidiary existing as at 31st December 2018 and adjusted with the increase in the value of the immovable property arising from a revaluation of the immovable property at market value.

In the Company's financial statements investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from investments are recognised in the profit or loss.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value as are the identifiable net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

**2 Summary of significant accounting policies**

**2.3 Inventory - Development project**

The main object of the Company is the development of land acquired for development and resale. This development is intended in the main for resale purposes, and is accordingly classified in the financial statements as Inventory. Any elements of a project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, plant and equipment or investment properties when such identification is made and the cost thereof can reliably be segregated.

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

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

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

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

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

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

As stated in note 2.2 the Group accounts for business combinations using the acquisition method. Accordingly, at group level, the identifiable net assets acquired, including inventory held by the newly-acquired subsidiary, are measured at fair value as at date of acquisition of subsidiary. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

**3 Borrowings**

In October 2016 the Company raised € 40,000,000 by issuing secured bonds to the public at the fixed rate of interest of 4.25% at face value and redeemable at par on the 3rd October 2023 (the "Original Bonds").

In April 2019 the Company issued another € 40,000,000 secured bonds to the public at the fixed rate of interest of 3.65% at face value and redeemable at par on the 5th April 2022 through the combination of two fungible tranches: the First Tranche Bonds and the Second Tranche Bonds.

The First Tranche Bonds were offered as an exchange offer to the existing bondholders holding the Original Bonds. The Original Bonds converted to the First Tranche Bonds were equal to € 20,069,000.

The Second Tranche Bonds issued amounted to € 19,931,000.

As at 30th June 2020, the proceeds from the bonds issued were equal to € 56,130,700. Both bonds are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

i. First ranking general hypothec over all the present and future assets of the Company and of GAP Luqa Limited.
ii. First ranking special hypothec over the Luqa Development.
iii. First ranking special hypothec over Block A to Block E of the Mellieha Development for the amount of € 20.5 million and interest thereon.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2020

## 4 Transactions with related parties

All companies forming part of GAP Group p.l.c. are considered by the directors to be part of the group of Companies. Companies having the same shareholders and directors are considered by the directors to be related parties.

During the course of the period ended 30th June 2020, the Company entered into transactions with related undertakings all of which arose in the ordinary course of business.

## 5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31st December 2019.