



COMPANY ANNOUNCEMENT

GAP Group plc

Reference: GGP 092
Announcement date: 29 August 2023

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

QUOTE

The Board of Directors of the Company met on Tuesday 29 August 2023 and approved the unaudited condensed interim consolidated financial statements for the period ended 30 June 2023. A copy of the financial statements is attached to this announcement.

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

UNQUOTE

Paul Attard
COMPANY SECRETARY

GAP Group P.L.C.,
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GAP GROUP p.l.c.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30th JUNE 2023

CONTENTS	PAGE
Directors' Report	1 - 4
Income Statement & Statement of Comprehensive Income	5
Statement of Financial Position	6 - 7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 12

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30th JUNE 2023

Interim Directors' report pursuant to Capital Market Rules 5.75.2

This interim report is published in terms of the Capital Market Rules issued by the Listing Authority 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 2023, as approved by the Board of Directors on the 29th August 2023 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Principal Activities

The principal activity of Gap Group p.l.c. is to hold investments in subsidiary companies and to raise financial resources from the capital markets to finance its investments and the property development projects of its subsidiaries. The principal activity of the Group is to acquire, develop and dispose of immovable property and to construct, develop and enter into arrangements with contractors and other service providers in connection with its properties.

Review of business

Works on the developments progressed well and within the scheduled time frames. The Group continued to sign new preliminary agreements at a steady pace whilst a promising number of contracts mainly from its Mulberry Park project in Qawra and The Pantheon project in Mosta were signed during the financial period under review.

Southridge

The Southridge development in Mellieha was fully complete during 2020. The last 2 remaining units from a total of 159 have been contracted during the period under review.

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 reporting period, out of the 268 residential units, 265 units have been sold (contracted) and the last remaining 3 units were subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 99% have been contracted as at the end of the period.

Waterbank

The Waterbank development in Marsascala consists of 63 residential units. By the end of the year, the project was fully complete. At the end of June, out of the 63 residential units, 62 units have been sold (contracted) and the last remaining 1 unit was subject to a Preliminary Agreement.

This means that 100% of the residential units were committed, out of which 98% have been contracted as at 30 June.

Directors' report - continued

Dumont

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

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

The Hazel

The Hazel development in Birkirkara consists of 14 residential units. By the end of the period, the project was fully complete. The last remaining unit from a total of 14 units, was contracted during this period.

Mulberry Park

Works on the Mulberry Park in Qawra started in December 2020 and were completed in early 2023. The project consists of 93 residential units.

At the end of the period, out of the 93 residential units, 63 unit has been sold (contracted) and a further 25 units were subject to a Preliminary Agreement.

This means that 95% of the residential units were committed, out of which 72% have been contracted by the end of the period.

The Pantheon

Works on The Pantheon development in Mosta started in December 2020 and progressed at a steady pace. The project is split in 3 different Zones and will consist in about 115 residential units.

As at June 2023 the first zone was 100% complete, whereas the second zone was 80% complete and is expected to be completed by the end of 2023. Construction works on the final zone commenced during the reporting period and shall be completed by Q2 2024.

As at 30 June a total of 81 units were placed on the market. From these, 37 units have been sold/(contracted) and a further 18 units were subject to a promise of sale agreement.

This means that 68% of the units placed on the market were committed, out of which 67% have been contracted.

Seaberry Park

Works on Seaberry Park development in Qawra started in early 2022 and progressed well and at a steady pace. As at the end of June 2023, construction was 100% complete and finishings were 50% complete. The project is expected to be completed towards the end of 2023 and the units were placed on the market in July 2023.

Marsaskala Project

During the month of January 2023, the company commenced excavation works on a new project in Marsaskala. Construction works on this project are expected to commence in September 2023.

Sunflower Project

During Q2 2023, the company acquired a plot of land in Qawra through one of its subsidiaries. Works commenced immediately with the demolition and excavation works which are now complete. Construction works commenced soon after, in July 2023.

Directors' report - continued

Bonds in issue

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

As at the end of the period the aggregate amount of bonds in issue amounted to €64,616,485 being, €8,349,900 Gap Group p.l.c. 4.25% Secured Bonds 2023, €12,831,927 Gap Group p.l.c. 3.7% Secured Bonds 2023 – 2025, €20,790,440 Gap Group p.l.c. 3.9% Secured Bonds 2024 – 2026 and €22,644,218 Gap Group p.l.c. 4.75% Secured Bonds 2025 – 2027.

Reserve Account

Pursuant to the bond prospectus of the 4.25% Secured Bonds 2023, the 3.7% Secured Bonds 2023 - 2025, the 3.9% Secured Bonds 2024 – 2026 the 4.75% Secured Bonds 2025 - 2027 four reserve accounts had been created by the Security Trustee to cover for the redemption of the four bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on condition that these units are freed from hypothecary rights and privileges against an agreed amount from the sale proceeds being deposited in the said Reserve Accounts.

By 30 June 2023, the Reserve Account of the 4.25% Secured Bonds 2023 carried a balance of €8,799,630 (i.e. 100% of the total bond repayment) and the Reserve Account of the 3.7% Secured Bonds 2023 - 2025 carried a balance of €9,972,000 (i.e. 78% of the total bond repayment).

Moreover the trustee held an amount of €2,033,598 with respect to the 3.9% Secured Bonds 2024 – 2026 and €5,957,208 with respect to the 4.75% Secured Bonds 2025 – 2027. Both amounts were available for immediate withdrawal to finance the developments costs incurred on Mulberry Park project in Qawra, The Pantheon in Mosta and the upcoming project in M'Skala.

Principal risks and uncertainties

Although the development works of the afore-mentioned projects and the securing of new sales by way of preliminary agreements are progressing as planned, the company is still subject to several financial risk factors including the market, economic, counter-party, credit and liquidity risks amongst others that may affect the projects and their timely completion. Additionally, the directors are monitoring closely inflationary risks resulting from the conflict in Ukraine and the aftermath of the COVID pandemic. The directors are confident that the company has robust measures in place to mitigate the likely possible effects of inflationary pressures. Where possible, the board provides principles for the overall risk management as well as policies to mitigate these risks in the most prudent way.

Results and dividends

The results for the period ended 30 June 2023 are shown in the Statement of Comprehensive Income on page 5. The Group registered a Profit for the period after tax amounting to €6,701,956 (January to December 2022 - €4,710,905), while the Company registered a Profit of €208,715 (January to December 2022 - €5,925,994).

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 Capital Markets 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 2023, and its financial performance and cash flows for the period then ended.
- The Interim Directors' report includes a fair review of the information required in terms of Capital Market Rules 5.81 - 5.84.

On behalf of the Board of Directors:


George Muscat
Chairperson

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

Date : 29 August 2023


Paul Attard
Director

INCOME STATEMENT

FOR THE PERIOD ENDED 30th JUNE 2023

	Group		Company	
	2023	2022	2023	2022
	Jan - June €	Jan - Dec €	Jan - June €	Jan - Dec €
Turnover	28,715,550	29,496,100	-	-
Cost of sales	(18,518,160)	(20,705,516)	-	-
Gross Profit	10,197,390	8,790,584	-	-
Administrative expenses	(1,412,292)	(1,853,370)	(39,487)	(147,393)
Operating profit / (loss)	8,785,098	6,937,214	(39,487)	(147,393)
Finance costs	(267,233)	(837,609)	(1,782,602)	(2,763,119)
Investment income	238,921	628,181	1,930,268	9,243,776
Profit before taxation	8,756,786	6,727,786	108,179	6,333,264
Tax expense	(2,227,696)	(1,657,631)	(23,014)	(48,020)
Profit for the period/year	6,529,090	5,070,155	85,165	6,285,244

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income

Reserve arising on revaluation of investments and amortised cost of interest free long term loan receivable

172,866	(359,250)	123,550	(359,250)
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Other comprehensive profit / (loss) for the period / year

172,866	(359,250)	123,550	(359,250)
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Total Comprehensive Income

6,701,956	4,710,905	208,715	5,925,994
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Earnings per share

2.61	2.03	0.03	2.51
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STATEMENT OF FINANCIAL POSITION - 30th JUNE 2023

	Group		Company	
	2023	2022	2023	2022
	Jan - June €	Jan - Dec €	Jan - June €	Jan - Dec €
ASSETS				
Non-current assets				
Property, plant and equipment	35,398	43,493	1	1
Investment in subsidiaries	-	-	34,344,774	34,344,774
Investments	6,187,100	8,063,550	6,187,100	8,063,550
Loans and other receivables	10,636,483	10,982,645	5,121,386	8,516,864
	<u>16,858,981</u>	<u>19,089,688</u>	<u>45,653,261</u>	<u>50,925,189</u>
Current assets				
Inventory - Development project	62,926,118	49,147,357	-	-
Trade and other receivables	8,903,638	7,227,793	22,181,209	39,248,415
Cash and bank balances	24,956,216	34,514,459	20,967,083	29,681,881
Income Tax refundable	26,708	14,498	-	-
	<u>96,812,680</u>	<u>90,904,107</u>	<u>43,148,292</u>	<u>68,930,296</u>
Total Assets	<u>113,671,661</u>	<u>109,993,795</u>	<u>88,801,553</u>	<u>119,855,485</u>

STATEMENT OF FINANCIAL POSITION - 30th JUNE 2023 (continued)

	Group		Company	
	2023 Jan - June €	2022 Jan - Dec €	2023 Jan - June €	2022 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	324,168	151,302	(160,878)	(284,428)
Retained earnings	27,663,615	21,134,525	6,598,729	6,513,564
Total equity	32,987,783	26,285,827	11,437,851	11,229,136
Non-current liabilities				
Bank loans	4,121,639	1,960,366	891,734	1,960,366
Other financial liabilities	4,907	4,907	-	-
Debt securities in issue	43,359,085	43,387,094	43,359,085	43,387,094
Total non-current liabilities	47,485,631	45,352,367	44,250,819	45,347,460
Current liabilities				
Bank overdraft and loans	2,010,000	1,750,000	2,010,000	1,750,000
Debt securities in issue	21,257,400	29,198,753	21,257,400	29,198,753
Trade and other payables	9,930,847	7,406,848	1,560,599	250,068
Other financial liabilities	-	-	8,272,674	32,067,858
Taxation due	-	-	12,210	12,210
Total current liabilities	33,198,247	38,355,601	33,112,883	63,278,889
Total liabilities	80,683,878	83,707,968	77,363,702	108,626,349
Total equity and liabilities	113,671,661	109,993,795	88,801,553	119,855,485

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 : 29 August 2023

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30th JUNE 2023

	Share Capital €	Quasi Equity €	Revaluation Reserve €	Profit and Loss Account €	Total €
Group					
Balance at 1st January 2022	2,500,000	2,500,000	510,552	16,064,370	21,574,922
Comprehensive income					
Profit for the year	-	-	-	4,710,905	4,710,905
Revaluation reserve	-	-	(359,250)	359,250	-
Balance at 31st December 2022	2,500,000	2,500,000	151,302	21,134,525	26,285,827
Balance at 1st January 2023	2,500,000	2,500,000	151,302	21,134,525	26,285,827
Comprehensive income					
Profit for the period	-	-	-	6,701,956	6,701,956
Revaluation reserve	-	-	172,866	(172,866)	-
Balance at 30th June 2023	2,500,000	2,500,000	324,168	27,663,615	32,987,783
Company					
Comprehensive income					
Balance at 1st January 2022	2,500,000	2,500,000	74,822	228,320	5,303,142
Profit for the year	-	-	-	5,925,994	5,925,994
Revaluation reserve	-	-	(359,250)	359,250	-
Balance at 31st December 2022	2,500,000	2,500,000	(284,428)	6,513,564	11,229,136
Balance at 1st January 2023	2,500,000	2,500,000	(284,428)	6,513,564	11,229,136
Comprehensive income					
Profit for the period	-	-	-	208,715	208,715
Revaluation reserve	-	-	123,550	(123,550)	-
Dividends proposed and paid during the year	-	-	-	-	-
Balance at 30th June 2023	2,500,000	2,500,000	(160,878)	6,598,729	11,437,851

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30th JUNE 2023

	Group		Company	
	2023	2022	2023	2022
	Jan - June €	Jan - Dec €	Jan - June €	Jan - Dec €
Cash flows from operating activities				
Net profit before taxation	8,756,786	6,727,786	108,179	6,333,264
Adjustments for:				
Depreciation	4,979	17,676	-	-
Investment income	(238,921)	(628,181)	(1,930,268)	(9,243,776)
Interest expenses	267,233	837,609	1,782,602	2,763,119
Fair value gain / (loss) on interest free long term receivable	172,866	(359,250)	123,550	(359,250)
Operating profit / (loss) before working capital changes	8,962,943	6,595,640	84,063	(506,643)
Trade and other receivables	(1,675,845)	2,051,809	17,067,206	107,957
Inventory - Development Project	(13,778,761)	(3,326,938)	-	-
Trade and other payables	2,523,999	(4,164,109)	1,310,531	(2,535,929)
Cash (used in) / generated from operations	(3,967,664)	1,156,402	18,461,800	(2,934,615)
Interest payable	(267,233)	(837,609)	(1,782,602)	(2,763,119)
Income tax paid	(2,239,906)	(1,744,427)	(23,014)	(134,816)
<i>Net cash (used in) / from operating activities</i>	(6,474,803)	(1,425,634)	16,656,184	(5,832,550)
Cash flows from investing activities				
Loans and other receivables	346,162	-	3,395,478	-
Proceeds from sale of fixed assets	3,116	(42,502)	-	-
Investments (net)	1,876,450	1,606,450	1,876,450	1,605,250
Investment income	238,921	628,181	1,930,268	9,243,776
<i>Net cash from investing activities</i>	2,464,649	2,192,129	7,202,196	10,849,026
Cash flows from financing activities				
Related parties	-	(1,769,729)	-	(13,107,054)
Bank loans (net)	2,421,273	(4,267,202)	(808,632)	(1,079,966)
Bonds and debentures	(7,969,362)	3,583,995	(7,969,362)	3,583,995
Other loans	-	(306,228)	(23,795,184)	(306,228)
<i>Net cash (used in) financing activities</i>	(5,548,089)	(2,759,164)	(32,573,178)	(10,909,253)
Movement in cash and cash equivalents	(9,558,243)	(1,992,669)	(8,714,798)	(5,892,777)
Cash and cash equivalents at beginning of the period / year	34,514,459	36,507,128	29,681,881	35,574,658
Cash and cash equivalents at end of the period / year	24,956,216	34,514,459	20,967,083	29,681,881

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2023

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 subsidiaries.

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 2023

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 December 2022, the company issued a Prospectus for the issue of a €23,000,000 million 4.75% secured bond at par which was fully subscribed. The bond is redeemable at par at any date falling between 22 December 2025 and 21 December 2027 at the sole discretion of the Issuer.

The €21,000,000 million 3.9% Secured Bonds are redeemable at par at any date falling between 30 December 2024 and 30 December 2026 at the sole discretion of the Issuer.

The €21,000,000 3.7% Secured Bonds are redeemable at par at any date falling between 18 December 2023 and 17 December 2025 at the sole discretion of the Issuer.

The 4.25% Secured Bonds 2023 will be redeemed at par on 3 October 2023.

As at 30th June 2023, the proceeds from the bonds issued were equal to €64,616,485. The four bonds are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

- i. Second ranking general hypothec over all the assets of the Issuer and over all the present and future property of the Issuer.
- ii. First ranking general hypothec over all the present and future assets of the Company and of GAP QM Limited, GAP Qawra Limited and GAP Zonqor Limited.
- iii. First ranking special hypothec over all present and future assets of the company and over the Mosta and Qawra Developments of GAP QM Limited and the Qawra Development of GAP Qawra Limited and the Zonqor projects of GAP Zonqor Limited.

NOTES TO THE FINANCIAL STATEMENTS - 30th JUNE 2023

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 2023, 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 2022.