

SUMMARY

DATED 6 DECEMBER 2021

This Summary is prepared in accordance with the requirements of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation and the delegated acts issued thereunder. This Summary contains key information which investors require in order to understand the nature and the risks of the Issuer and the Secured Bonds. Except where the context otherwise requires, the capitalised words and expressions used in this Summary shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

In respect of an Issue of

**UP TO €21,000,000 IN 3.90% SECURED BONDS 2024 – 2026
OF A NOMINAL VALUE OF €100 PER SECURED BOND ISSUED AT PAR**

BY



**GAP GROUP P.L.C.
(C 75875)**

**WITH THE JOINT AND SEVERAL GUARANTEE OF
GAP QM LIMITED (C 96686) AND GAP QAWRA LIMITED (C 100513)**

Legal Counsel
to the Sponsor, Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Legal Counsel
to the Issuer

Dr Chris Cilia

Security Trustee

EQUINOX INTERNATIONAL
LIMITED

Sponsor, Manager & Registrar



MZ INVESTMENT SERVICES

YOU ARE ABOUT TO PURCHASE SECURITIES THAT ARE NOT SIMPLE AND MAY BE DIFFICULT TO UNDERSTAND. THIS SUMMARY HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVED THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.

THIS SUMMARY IS VALID FOR A PERIOD OF TWELVE (12) MONTHS FROM THE DATE THEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

APPROVED BY THE BOARD OF THE DIRECTORS

A handwritten signature in blue ink, appearing to read 'George Muscat'.

George Muscat

A handwritten signature in blue ink, appearing to read 'Paul Attard'.

Paul Attard

signing in their own capacity as directors of the Issuer and on behalf of each of Mark Castillo, Chris Cilia, Francis X Gouder and Adrian Muscat as their duly appointed agents.

1. INTRODUCTION AND WARNINGS

This Summary contains key information on the Issuer, the Guarantors and the Secured Bonds, summarised details of which are set out below:

Issuer	Gap Group p.l.c., a public limited liability company registered in Malta with company registration number C 75875 and legal entity identifier (LEI) number 213800NHMAPF7JZ8CO50.
Address	Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta.
Telephone number	+356 23271000.
Website	http://www.gap.com.mt
Competent authority approving the Prospectus	The MFSA, established in terms of the Financial Markets Act (Chapter 345 of the laws of Malta).
Address	Malta Financial Services Authority, Triq I-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010.
Telephone number	+356 2144 1155.
Website	https://www.mfsa.mt/
Name of the securities	3.90% Secured Bonds due 2024 – 2026.
ISIN number of the Secured Bonds	MT0001231233
Prospectus approval date	6 December 2021

Prospective investors are hereby warned that:

- (i) this Summary should be read as an introduction to the Prospectus. It is being provided to convey the key characteristics and risks associated with the Issuer and the Secured Bonds being offered pursuant to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary in making a decision as to whether to invest in the securities described in this document;
- (ii) any decision of the investor to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- (iii) an investor may lose all or part of the capital invested in subscribing for Secured Bonds;
- (iv) where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- (v) civil liability attaches only to those persons who have tabled the Summary including any translation thereof but only if the Summary, when read together with the other parts of the Prospectus, is misleading, inaccurate, or inconsistent or does not provide key information in order to aid investors when considering whether to invest in the Secured Bonds.

2. KEY INFORMATION ON THE ISSUER

2.1. Who is the Issuer of the Securities?

2.1.1. Domicile and legal form, its LEI and country of incorporation

The Issuer is Gap Group p.l.c., a public limited liability company registered in Malta in terms of the Companies Act. The Issuer was incorporated and is domiciled in Malta, with LEI number 213800NHMAPF7JZ8CO50.

2.1.2. Principal Activities of the Issuer

The Issuer is a holding company which, through its Subsidiaries, is involved in the acquisition and development of real estate properties. The Issuer does not carry out any trading activities of its own and is mainly dependent on the business prospects of its operating Subsidiaries. Following the success achieved in other development projects, including developments in Gharghur, Qawra, Luqa and Mellieħa, the Issuer through the Subsidiary GQM, is in the process of developing two sites; the Qawra II Development and the Mosta Development. The Qawra II Development, once completed, shall comprise 80 residential units and 90 lock-up garages, whilst the Mosta Development, once completed, shall consist of a total of 94 residential units, four commercial outlets and 109 car spaces. Moreover, through a newly incorporated Subsidiary (GQL), the Issuer is in the process of acquiring and subsequently developing an additional site located in Qawra into the Qawra III Development. The project to be undertaken in Qawra shall entail the construction, development and finishing of a total of 46 residential units, comprising a mix of two and three bedroomed units and 58 lock-up garages, spread over three blocks.

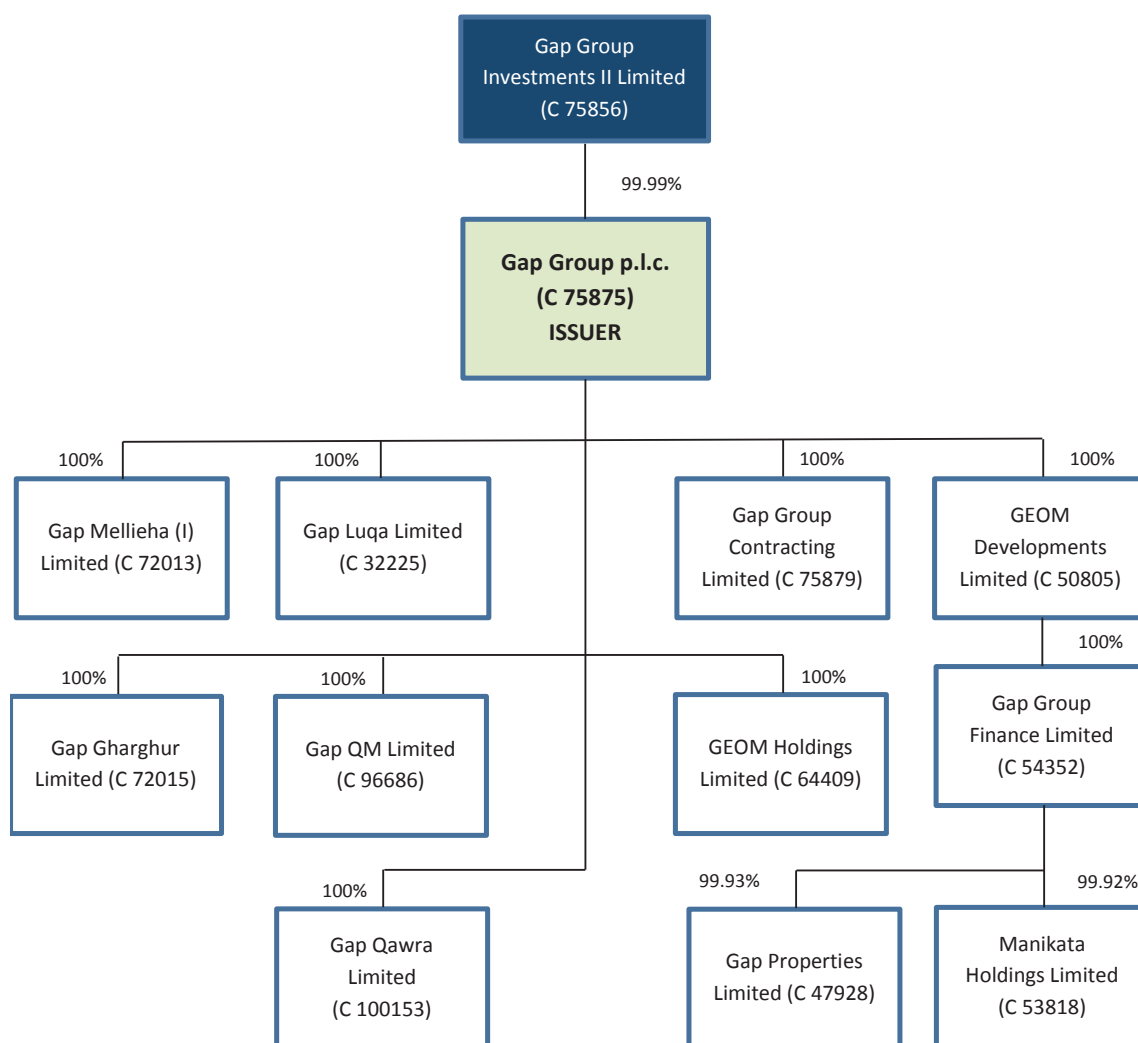
The Issuer has the following debt securities listed on the Official List of the Malta Stock Exchange:

- i. €19,247,300 4.25% secured Bonds 2023 (ISIN: MT0001231209) (the “2016 Bonds”)
- ii. €29,218,400 3.65% secured bonds 2022 (ISIN: MT0001231217) (the “2019 Bonds”)
- iii. €21,000,000 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225) (the “2020 Bonds”)

A reserve account is maintained by the security trustee of the 2016 Bonds, the 2019 Bonds and the 2020 Bonds. The amounts contained in each reserve account maintained by the Security Trustee as at 31 October 2021 were as follows:

2016 Bonds (€'000)	2019 Bonds (€'000)	2020 Bonds (€'000)
19,316	22,540	Nil

2.1.3. Organisational Group Structure



2.1.4. Major Shareholders of the Issuer

The Issuer's majority shareholder is Gap Group Investments II Limited (C 75856), which is the holder of 99.99% of the issued share capital of the Issuer. Paul Attard, Adrian Muscat, and George Muscat hold equal shares in Gap Group Investments II Limited and, accordingly, are the indirect ultimate owners of the Group.

2.1.5. Key Managing Directors

The Board of Directors of the Issuer is composed of the following persons: George Muscat (Chairman and Executive Director), Paul Attard (Executive Director), Adrian Muscat (Executive Director), Francis X. Gouder (Independent Non-Executive Director), Mark Castillo (Independent Non-Executive Director) and Chris Cilia (Independent Non-Executive Director).

2.1.6. Statutory Auditors

The auditor of the Issuer for the financial year ended 31 December 2018 is Emanuel P. Fenech of 1, Tal-Providenza Mansions, Main Street, Balzan BZN 1254, Malta. The Accountancy Board registration number of Mr Fenech is AB/2/17/22.

The auditors of the Issuer for the financial year ended 31 December 2019 are EFS Audit Limited of 1, Tal-Providenza Mansions, Main Street, Balzan BZN 1254, Malta. The Accountancy Board registration number of EFS Audit Limited is AB/2/19/19.

The auditors of the Issuer for the financial year ended 31 December 2020 and as of the date of this Prospectus, are TACS Malta Limited of 1, Tal-Providenza Mansions, Main Street, Balzan BZN 1254, Malta. The Accountancy Board registration number of TACS Malta Limited is AB/2/17/22.

2.2. What is the key financial information regarding the Issuer?

The key information regarding the Issuer on a consolidated basis is set out below:

Income Statement	FY2020	FY2019	FY2018	6-month period ended 30 Jun'21	6-month period ended 30 Jun'20
Operating profit (€'000)	9,019	6,137	6,996	6,664	3,672
Statement of Financial Position	FY2020	FY2019	FY2018	30 June 2021	
Net financial debt (€'000)	52,220	39,510	19,145	41,169	
<i>Breakdown as follows:</i>					
Borrowings and other financial liabilities (€'000)	8,894	8,751	123	13,629	
Debt securities (€'000)	69,864	56,991	39,473	68,903	
Investments and sinking fund (€'000)	(24,478)	(18,534)	(19,827)	(38,699)	
Cash and cash equivalents (€'000)	(2,060)	(7,698)	(624)	(2,664)	
Cash Flow Statement	FY2020	FY2019	FY2018	6-month period ended 30 Jun'21	6-month period ended 30 Jun'20
Cash flows from (used in) operating activities (€'000)	(10,862)	(20,317)	7,489	14,131	2,217
Cash flows from (used in) financing activities (€'000)	3,620	27,395	(1,285)	1,037	(3,546)
Cash flows from (used in) investing activities (€'000)	507	(1,206)	6,939	(6,162)	185

2.3. What are the key risks that are specific to the Issuer?

The most material risk factors specific to the Issuer, which may negatively impact the operations and financial position of the Issuer should the circumstances mentioned therein materialise, are as follows:

2.3.1. Risks associated with the dependency of the Issuer on the performance of its Subsidiaries

As a finance and holding company, the majority of the Issuer's assets consist of loans granted to its Subsidiaries and shares held in the Subsidiaries, with the only revenue generating activities of the Issuer being the receipt of interest income on funds advanced to its Subsidiaries and dividends received from its Subsidiaries. The Issuer is thus economically dependent on the operational results, the financial position, and the financial performance of its Subsidiaries.

2.3.2. Risks relating to the loss of senior management and other key personnel

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel. Moreover, if one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition, and results of operations.

2.3.3. Risks relating to the economic repercussions of coronavirus ("COVID-19")

As a result of the spread of COVID-19, global economic activity, including in Malta, has experienced a general downturn. The Group's revenue generated from its property development activities may be negatively impacted through a reduction in price of units held for resale, as well as the risk of a downward shift in demand, frequency, and volume of such transactions. The Group's business development and day-to-day operations may also be delayed or abandoned due to directives issued by the relevant public and health authorities.

2.3.4. Risks associated with the acquisition, development, and sale of property

Property acquisition and development is subject to several specific risks including: (i) the risk of delays, including delays (and, or refusals) in obtaining any necessary permits and cost overruns; (ii) the risk of sales transactions not being affected at the prices and within the timeframes envisaged; (iii) general industry trends, including the cyclical nature of the real estate market, economic depressions, increased competition and a change in market conditions; (iv) the possibility of delays pursuant to a strain on the availability of human and capital resources required for such projects; and (v) extensive regulation and administrative requirements which relate to, among other things, planning, developing, land use, local urban regeneration strategy, fire, health and safety, and others. The occurrence of any of foregoing could have a material adverse effect on the Group's business, financial condition, and results of operations, including the increase of projected costs and times for completion of ongoing development projects. Moreover, whilst the Group has no immediate or current plans for the development and, or sale of Portion B, there is no guarantee that Portion B shall be disposed of at the carrying value at the time and within the timeframes envisaged.

2.3.5. Risks associated with property valuations and net realisable value

Notwithstanding the preparation of valuations by an independent qualified architect, the valuation of property is intrinsically subjective and based on several assumptions at a given point in time. Accordingly, property valuations are largely dependent on current and, or, expected market conditions which are susceptible to fluctuation and therefore, there can be no assurance that such property valuations will reflect actual market values. Furthermore, the Group may purchase and, or have purchased property on the basis of inaccurate valuations.

2.3.6. Risks associated with the engagement and, or the involvement of service providers and associated counterparty risks

The project companies forming part of the Group rely upon service providers such as architects, building contractors and suppliers for the construction and completion of each of its developments. The Guarantors have engaged the services of GGCL for the purposes of the Mosta Development, the Qawra II Development and the Qawra III Development. This gives rise to counter-party risks in those instances where such service providers do not perform in line with the Group's expectations and contractual obligations.

3. KEY INFORMATION ON THE SECURITIES

3.1. What are the main features of the Securities?

The Secured Bonds are being issued in an aggregate amount of up to €21,000,000 with a nominal value of €100 per Secured Bond issued at par and redeemable on 30 December 2026 or, at the sole option of the Issuer, any date falling between 30 December 2024 and 29 December 2026. The Secured Bonds bear interest at the rate of 3.90% per annum on the nominal value of the Secured Bonds.

The Secured Bonds shall be issued in fully registered and dematerialised form and shall be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Secured Bonds shall have the following ISIN: MT0001231233. The Secured Bonds shall be freely transferable.

The Secured Bonds constitute the general, direct, unconditional, and secured obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount by the Guarantors. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves. The Secured Bonds are secured by the following collateral constituted in favour of the Security Trustee for the benefit of Bondholders:

- (i) the third ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the Issuer;
- (ii) the second ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQM;
- (iii) the first ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQL;
- (iv) the second ranking special hypothec granted by GQL for the full nominal value of the Secured Bonds over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site I (and any developments and constructions thereon);
- (v) the first ranking special hypothec for the full nominal value of the Secured Bonds and interest thereon over Qawra Site III (and any developments and constructions thereon) and the first ranking special privilege granted by GQL over Qawra Site III (and any developments and constructions thereon) for the amount of €8 million; and
- (vi) the Pledge Agreements.

There are no special rights attached to the Secured Bonds other than the right of the Bondholders to (i) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Secured Bonds; (ii) payment of capital and interest in accordance with the ranking of the Secured Bonds; (iii) the benefit of security interest through the Security Trustee; and (iv) such other rights attached to the Secured Bonds emanating from the Securities Note.

3.2. Where will the securities be traded?

Application has been made to the MSE for the Secured Bonds to be listed and traded on its Official List.

3.3. Is there a guarantee attached to the securities?

The Secured Bonds are guaranteed by the Guarantors on a joint and several basis (the “Guarantees”) which shall become effective upon the admission to listing of the Secured Bonds on the Official List of the MSE. The Guarantees shall constitute a direct, unsecured, and unconditional obligation of each of the Guarantors. Accordingly, the Security Trustee, for the benefit of the Bondholders, shall be entitled to request each of the Guarantors to pay both the interest due and the principal amount under the Secured Bonds on first demand, if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantees also entitles the Security Trustee to take action against the Guarantors without having to first take action against the Issuer.

3.4. The Guarantors

The Guarantors are GAP QM Limited (C 96696) (“GQM”) and GAP Qawra Limited (C 100513) (“GQL”).

GQM was established on 23 September 2020 as a single member private limited liability company registered in Malta in terms of the Companies Act, with company registration number C 96696. GQM has LEI number 485100R9R2JF5F7NWI08. GQM was established as a special purpose vehicle for the purpose of acquiring and development the Mosta Development and the Qawra II Development. GQM has not prepared its first set of audited accounts which will cover the period 23 September 2020 to 31 December 2021. Accordingly, the key financial information of GQM is set out below:

Income Statement	23 Sep'20 to 30 Jun'21
Operating loss (€'000)	(1)
Statement of Financial Position	30 June 2021
Net financial debt (€'000)	17,168
Breakdown as follows:	
Borrowings and other financial liabilities (€'000)	17,172
Cash and cash equivalents (€'000)	(4)
Cash Flow Statement	23 Sep'20 to 30 Jun'21
Cash flows from (used in) operating activities (€'000)	(17,168)
Cash flows from (used in) financing activities (€'000)	17,172
Cash flows from (used in) investing activities (€'000)	-

GQL was established on 20 October 2021 as a single member private limited liability company registered in Malta in terms of the Companies Act, with company registration number C 100513. GQL has LEI number 485100SHR9VNI0MTLL46. GQL was established as a special purpose vehicle for the purpose of acquiring the Qawra Site III and developing the Qawra III Development. Since incorporation to the date of the Prospectus, GQL was not involved in any trading or business activities. Accordingly, no key financial information pertaining to GQL is available.

3.5. Key risks that are specific to the Guarantors and the Guarantee

3.5.1. *Risks relating to the Guarantee and the collateral granted by the Guarantors*

The strength of the undertakings given under the Guarantees and accordingly, the level of recoverability by the Security Trustee from each of the Guarantors of any amounts due under any of the Secured Bonds, is dependent on the financial position and solvency of the Guarantors. The Guarantees will be further supported by a first-ranking special hypothec over the Qawra Site III (and any constructions and development thereon) and a second-ranking special hypothec over each of the Mosta Site (and any constructions and development thereon) and the Qawra Site II (and any constructions and development thereon) for the full nominal value of the Secured Bonds and interest thereon. There can be no guarantee that the value of the Hypothecated Property over the term of the Secured Bonds shall be sufficient to cover the full amount of interest and principal outstanding under the Secured Bonds.

3.5.2. *Ranking of security interests granted by the Guarantors*

The security interests to be constituted by the Guarantors in favour of the Security Trustee shall rank after the claims of privileged creditors should a note of inscription of a special privilege be registered with the Public Registry securing the privileged creditor's claim. Privileged creditors include, but are not limited to, architects, contractors, masons, and other workmen, over an immovable constructed, reconstructed or repair for the debts due to them in respect of the expenses and the price of their work.

3.5.3. *Risks relating to the business of the Guarantors*

The risk factors relating to the property sector, as detailed in earlier sections of this Summary equally apply to the business of the Guarantors. If any of such risks were to materialise, they would have a material adverse effect on the ability of a Guarantor to satisfy its obligations under the Guarantee.

3.6. What are the key risks that are specific to the securities?

3.6.1. *Complex financial instrument and suitability assessment*

Debt instruments which may be redeemed by an issuer prior to their maturity date are considered as having an embedded call option, with the price of the bonds taking these components into account. The Secured Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of the early redemption component, the Secured Bonds are complex financial instruments for the purposes of MIFID II and may not be suitable for all recipients of the Prospectus. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

3.6.2. *No prior market for the Secured Bonds*

Prior to the Bond Issue and Admission, there has been no public market for the Secured Bonds within or outside Malta. Due to the absence of any prior market for the Secured Bonds, there can be no assurance that the price of the Secured Bonds will correspond to the price at which the Secured Bonds will trade in the market subsequent to the Bond Issue.

3.6.3. *Risks relating to the receipt of proceeds pertaining to the Qawra II Development and the Mosta Development*

The terms of the Trust Deed provide that the Security Trustee shall only be entitled to receive a percentage of the Projected Sales Price after the security trustee of the 2020 Bonds receives €21 million in the reserve account it maintains for the benefit of the 2020 Bondholders. In the event that there is a slowdown in sales of any unit / garage / car space forming part of the Qawra II Development and the Mosta Development, this may adversely impact the ability of the Security Trustee to credit the reserve account with the total amount outstanding under the Secured Bonds which in turn may have a material adverse effect on Bondholders.

3.6.4. *Amendments to the Terms and Conditions of the Secured Bonds*

In the event that the Issuer wishes to amend any of the Terms and Conditions of the Secured Bonds it may call a meeting of Bondholders. Defined majorities of Bondholders may bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

3.6.5. *Risks relating to the Group's ability to secure sufficient project financing*

GQL requires the amount of €8 million to acquire Qawra Site III. It also requires the amount of €4.3 million to develop and complete the Qawra III Development which is expected to be completed by Q2 2023. The amount of €1 million shall be financed from the proceeds received from the Bond Issue, whilst the remaining balance of €3.3 million shall be financed from the Group's cash flows. There is no certainty that the Group shall be able to obtain the full capital it requires for the completion of the Qawra III Development. Accordingly, the Bondholders are subject to the risk that the completion of the Qawra III Development may be stalled and, or, suspended until the necessary financing is obtained, if at all.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1. Under which conditions and timetable can I invest in this security?

Application for the Secured Bonds

During the Offer Period, an Existing Bondholder may subscribe for Secured Bonds by Exchangeable Bond Transfer, by submitting an Application Form to an Authorised Financial Intermediary, up to the number of Existing Bonds held by them as at the Cut-Off Date. Existing Bondholders may, however, elect to subscribe for Excess. Existing Bondholders applying for Secured Bonds are to settle all or part of the amount due on the Secured Bonds applied for by the transfer to the Issuer of Existing Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €2,000 Secured Bonds. Any Existing Bondholder whose holding in Existing Bonds is less than €2,000 shall be required to pay the Cash Top-Up.

The consideration for the purchase of the Existing Bonds by the Issuer shall be €101.25 per Existing Bond, which shall be settled as follows:

- (i) Existing Bondholders electing to subscribe for Secured Bonds through the transfer to the Issuer of all or part of the Existing Bonds held by them as at the Cut-Off Date shall be allocated such number of Secured Bonds representing the nominal value of Existing Bonds transferred to the Issuer (including Cash Top-Up, where applicable);

- (ii) The difference of €1.25 shall be settled by the Issuer by the settlement in cash of €1.25 per Existing Bond so purchased by the Issuer by virtue of the Exchangeable Bond Transfer (the “**Cash Settlement**”). The said amount shall be settled within 30 days of the allocation by the bank transfer of the Cash Settlement to the bank account designated by the Existing Bondholder in its Application Form.

Pursuant to the Placement Agreements, a number of Authorised Financial Intermediaries (either for their own account or for the account of underlying customers) shall be entitled to either:

- (i) distribute to underlying customers any portion of the Secured Bonds subscribed for upon commencement of trading; or
- (ii) instruct the Issuer, Sponsor, Manager and Registrar to issue a portion of the Secured Bonds subscribed by it directly to its underlying customers.

The total estimated expenses of the Bond Issue are €400,000.

Expected Timetable

1. Application Forms mailed to Existing Bondholders.....	9 December 2021
2. Commencement of interest on the Secured Bonds	30 December 2021
3. Closing of Offer Period	5 January 2022
4. Placement Date	7 January 2022
5. Expected date of announcement of basis of acceptance	14 January 2022
6. Refunds of unallocated monies (if any).....	21 January 2022
7. Expected dispatch of allotment advices.....	24 January 2022
8. Expected date of admission of the securities to Listing	24 January 2022
9. Expected date of commencement of trading in the securities	25 January 2022
10. Expected date of constitution of Collateral.....	not later than 15 February 2022

Plan of Distribution, Allotment and Allocation Policy

The Secured Bonds are open for subscription by: (i) Existing Bondholders; and (ii) Authorised Financial Intermediaries (either for their own account or for the account of underlying customers) pursuant to the Placement Agreements.

The Issuer shall allocate the Secured Bonds on the basis of the following policy and order of priority:

- (i) up to the amount of €19,247,300 being the outstanding amount under the Existing Bonds shall be allocated to Existing Bondholders subscribing for Existing Bonds during the Offer Period; and
- (ii) the amount of €1,752,700 and any balance of Secured Bonds not subscribed to by virtue of (i) above, shall be allocated to Authorised Financial Intermediaries by virtue of the Placement Agreements.

The issue and allotment of the Secured Bonds is conditional upon the Secured Bonds being admitted to the Official List of the MSE. In the event that such condition is not satisfied within 15 Business Days of the closing of the Offer Period, any Application monies received by the Issuer shall be returned without interest by direct credit into the Applicant's bank account indicated on the relative Application Form.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 14 January 2022.

4.2. Why is this prospectus being produced?

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €20.6 million shall be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) €8 million shall be used for the acquisition of Qawra Site III by GQL;
- (ii) approximately €11.6 million shall be used to finance costs required to develop and complete the Qawra II Development and the Mosta Development, which development and completion works are approved by planning permits issued by the Planning Authority which are described in the property valuations incorporated by reference in the Prospectus; and
- (iii) the amount of €1 million shall be utilised by GQL towards development costs of the Qawra III Development as approved by planning permits issued by the Planning Authority which are described in the property valuations incorporated by reference in this Prospectus.

The Issuer has established a minimum aggregate subscription amount of €8 million upon which the Bond Issue is conditional. In the event that the Bond Issue is not fully taken up, but the said minimum is satisfied or exceeded, the Issuer shall issue Secured Bonds up to the amount subscribed for. Should the Bond Issue not be fully subscribed to, the proceeds from the Bond Issue will first be utilised for the purposes set out in Section 4.2(i) above. Any remaining balance shall be utilised for the purposes set out in section 4.2(ii) and 4.2(iii), respectively.

Following the Bond Issue, all proceeds shall be held by the Security Trustee. The Security Trustee shall, save for the payment of the expenses related to the Bond Issue, retain all remaining Secured Bond proceeds until the Secured Bonds are admitted to the Official List of the MSE. It is expected that within 15 Business Days from listing of the Secured Bonds:

- (i) the Issuer, GQL and the Security Trustee shall appear on a deed of sale and purchase for the sale and transfer of the Qawra Site III to GQL. Simultaneously with the entry into of the deed of sale and purchase, each of the Issuer and Guarantors shall appear on the deed with the Security Trustee to grant and constitute in favour of the Security Trustee the hypothecs over their respective assets; and
- (ii) The Guarantors and the Security Trustee shall enter into the Pledge Agreements.

The Sponsor, Manager and Registrar do not have any material interest in the Issuer or the Guarantors. The Bond Issue is not subject to an underwriting agreement on a firm commitment basis.

REGISTRATION DOCUMENT

DATED 6 DECEMBER 2021

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.



GAP GROUP P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 75875

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Legal Counsel
to the Sponsor, Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Legal Counsel
to the Issuer

Dr Chris Cilia

Security Trustee

EQUINOX INTERNATIONAL
LIMITED

Sponsor, Manager & Registrar



MZ INVESTMENT SERVICES

APPROVED BY BOARD OF THE DIRECTORS

A handwritten signature in blue ink, appearing to read 'George Muscat'.

George Muscat

A handwritten signature in blue ink, appearing to read 'Paul Attard'.

Paul Attard

signing in their own capacity as directors of the Issuer and on behalf of each of
Mark Castillo, Chris Cilia, Francis X Gouder and Adrian Muscat as their duly appointed agents.

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON GAP GROUP P.L.C. (IN ITS CAPACITY AS ISSUER) IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES OF THE MALTA FINANCIAL SERVICES AUTHORITY, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, GUARANTORS OR THEIR RESPECTIVE DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, GUARANTORS OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

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THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY SECURITIES ISSUED BY THE ISSUER MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER OR ANY OF THE GUARANTORS SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS PROSPECTUS IS VALID FOR A PERIOD OF TWELVE (12) MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS OF ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE, OR DOMICILE.

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED THE PROSPECTUS REGULATION THE SECURITIES CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN THE SAID REGULATION) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE SAID REGULATION.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE MALTA BUSINESS REGISTRY, IN ACCORDANCE WITH THE COMPANIES ACT.

STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING ENTITLED “ADVISORS” IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

UNLESS INCORPORATED BY REFERENCE IN THIS REGISTRATION DOCUMENT, THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE SECURED BONDS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

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1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where the context otherwise requires:

2016 Bonds	the 4.25% secured bonds due 2023 issued by the Issuer pursuant to a prospectus dated 16 September 2016, amounting as at the date of the Prospectus to €19,247,300 and carrying ISIN MT0001231209;
2019 Bonds	the 3.65% secured bonds due 2022 issued by the Issuer pursuant to a prospectus dated 4 March 2019, amounting as at the date of the Prospectus to €29,218,400 and carrying ISIN MT0001231217;
2020 Bonds	the 3.7% secured bonds due 2023 – 2025 issued by the Issuer pursuant to a prospectus dated 20 November 2020, amounting as at the date of the Prospectus to €21,000,000 and carrying ISIN MT0001231225;
Birkirkara Development	the 14 residential units and nine garages all in a completely finished state, forming part of the development on the site in Triq Qormi, Birkirkara, Malta, measuring approximately 450m ² , as better described in section 6.4 of this Registration Document;
Capital Markets Rules	the capital markets rules issued by the Malta Financial Services Authority in terms of the Financial Markets Act;
Companies Act	the Companies Act (Chapter 386 of the laws of Malta);
Deloitte Services Limited	Deloitte Services Limited, a limited liability company registered under the laws of Malta bearing company registration number C 51320 and having its registered office at Deloitte Place, Triq I-Informjatur, Zone 3, Central Business District, Birkirkara, CBD 3050, Malta;
Directors or Board	the directors of the Issuer whose names are set out in section 3.1 of this Registration Document under the heading entitled “Directors, Senior Management, Advisors and Auditors”;
Euro or €	the lawful currency of the Republic of Malta;
Financial Markets Act	the Financial Markets Act (Chapter 345 of the laws of Malta);
GDL	Geom Developments Limited, a limited liability company registered under the laws of Malta bearing company registration number C 50805 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GHL	Geom Holdings Limited, a limited liability company registered under the laws of Malta bearing company registration number C 64409 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
Gharghur Development	the 34 luxury apartments (six of which are at penthouse level) and 41 garages / car spaces, spread over four blocks with a variety of one, two and three bedroomed residential units, all in a completely finished state, forming part of the development on the site in Triq Caravaggio, Gharghur, Malta measuring approximately 2,585m ² , as better described in section 6.4 of this Registration Document;
GGCL	Gap Group Contracting Limited, a limited liability company registered under the laws of Malta bearing company registration number C 75879 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GGF	Gap Group Finance Limited, a limited liability company registered under the laws of Malta bearing company registration number C 54352 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GGL	Gap Gharghur Limited, a limited liability company registered under the laws of Malta bearing company registration number C 72015 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GLL	Gap Luqa Limited, a limited liability company registered under the laws of Malta bearing company registration number C 32225 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GML	Gap Mellieha (I) Limited, a limited liability company registered under the laws of Malta bearing company registration number C 72013 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GP	Gap Projects Limited, a limited liability company registered under the laws of Malta bearing company registration number C 47554 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;

GPL	Gap Properties Limited, a limited liability company registered under the laws of Malta bearing company registration number C 47928 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GQL	GAP Qawra Limited, a limited liability company registered under the laws of Malta bearing company registration number C 100513 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
GQM	GAP QM Limited, a limited liability company registered under the laws of Malta bearing company registration number C 96686 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
Group or Gap Group	the Issuer and its direct or indirect Subsidiaries;
Guarantors	together GQM and GQL;
Issuer	Gap Group p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and having its registered office at Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta;
Luqa Development	the construction, development and finishing of a total of 268 residential units and 301 garages spread over five zones with a mix of one, two and three bedroomed residential units, all in a completely finished state, forming part of the development on the site known as Ta' Blejkiet in Luqa, measuring approximately 8,500m ² ;
Market Abuse Regulation	means Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC;
Malta Financial Services Authority or MFSA	the Malta Financial Services Authority, established in terms of the Financial Markets Act as the competent authority to approve prospectuses of any offer of securities to the public in Malta;
Malta Stock Exchange, Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Chapter 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Mellieħa Development	the 159 residential units and 169 lock-up garages, spread over ten blocks with a variety of one, two and three bedroomed residential units, all in a completely finished state, forming part of the development on the site known as Ta' Masrija in Mellieħa, measuring approximately 5,100m ² ;
Memorandum and Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus. The terms "Memorandum", "Articles" and "Articles of Association" shall be construed accordingly;
Mosta Development	the construction, development and finishing of a total of 94 residential units, four commercial outlets and 109 car spaces, spread over ten blocks with a variety of two and three bedroomed residential units over the Mosta Site, as better described in section 6.2 of this Registration Document;
Mosta Site	the site having a façade directly on Triq id-Difiza Ċivili and on Triq tal-Qares, in Mosta, measuring approximately 5,895m ² , as better described in section 6.2 of this Registration Document;
PDMR	has the same meaning assigned to "person discharging managerial responsibilities" in terms of the Market Abuse Regulation;
Persons Closely Associated	has the same meaning assigned to "person closely associated" in terms of the Market Abuse Regulation;
Portion A	a portion of Qawra Site III measuring approximately 1,395m ² , as better described in section 6.3 of this Registration Document;
Portion B	a portion of Qawra Site III measuring approximately 980m ² , as better described in section 6.3 of this Registration Document;
Prospectus	collectively, this Registration Document, the Securities Note and the Summary;
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC;

Qawra I Development	the 151 residential units and 181 garages / car spaces, spread over seven blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroomed residential units, all in a completely finished state, forming part of the development of the site in Triq il-Porzjunkola, Qawra, measuring approximately 3,508m ² ;
Qawra II Development	the construction, development and finishing of a total of 80 residential units, comprising a mix of two and four bedroomed units, and 90 lock-up garages, spread over six blocks, over Qawra Site II, as better described in section 6.1 of this Registration Document;
Qawra III Development	the construction, development and finishing of a total of 46 residential units, comprising a mix of two and three bedroomed units, and 58 lock up garages, spread over three blocks over Portion A, as better described in section 6.3 of this Registration Document;
Qawra Site II	the site located in Triq in-Nakkri, in Qawra, in the limits of St. Paul's Bay, measuring approximately 1,924m ² , as better described in section 6.1 of this Registration Document;
Qawra Site III	the site located in Triq it-Tamar, in Qawra, in the limits of St. Paul's Bay, measuring approximately 2,375m ² and divided into Portion A and Portion B, as better described in section 6.3 of this Registration Document;
Registration Document	this document in its entirety;
San Pawl tat-Tarġa Development	the nine residential units and eight garages all in a completely finished state, forming part of the development on the site in Triq Jean de la Vallette, San Pawl tat-Tarġa, Naxxar, Malta measuring approximately 330m ² ;
Secured Bonds	has the meaning assigned to it in the Securities Note;
Securities Note	the securities note issued by the Issuer dated 6 December 2021, forming part of the Prospectus;
Sponsor, Manager and Registrar or MZI	M.Z. Investment Services Limited having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, licensed by the MFSA and a member of the MSE;
Subsidiary	means an entity over which the parent has control. In terms of the International Report Standards adopted by the European Union, a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term “ Subsidiary ” shall be construed accordingly. The term “ Subsidiaries ” shall collectively refer to the said entities;
Summary	the summary issued by the Issuer dated 6 December 2021, forming part of the Prospectus; and
Trustee or Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and *vice-versa*;
- (b) words importing the masculine gender shall also include the feminine gender and *vice-versa*; and
- (c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.

2. RISK FACTORS

BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE SECURITIES ISSUED BY THE ISSUER, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER CERTAIN CATEGORIES, ACCORDING TO SUBJECT-MATTER. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS REGISTRATION DOCUMENT. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND, OR THE GROUP'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND, OR, TRADING PROSPECTS AS WELL AS THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY IT. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND, OR THE GROUP FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND, OR TRADING PROSPECTS OF THE ISSUER AND, OR THE GROUP.

THE PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN AND, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER:

- (I) IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;
- (II) IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE DIRECTORS, THE SPONSOR, MANAGER AND REGISTRAR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER (PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT); AND
- (III) CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "FORWARD LOOKING STATEMENTS".

2.1 Forward-looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto, contain forward-looking statements that include, among others, statements concerning the Issuer's and, or, the Group's strategies and plans relating to the attainment of their respective objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties, and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's and, or the Group include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus.

Accordingly, the Issuer cautions prospective investors that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by such statements, that such statements do not bind the Issuer with respect to future results and no assurance is given that the projected future results or expectations covered by such forward-looking statements will be achieved.

2.2 Risk Factors

2.2.1 Risks relating to the Issuer and the Group

2.2.1.1 Risks associated with the dependency of the Issuer on the performance of its Subsidiaries

As further described in section 4 of this Registration Document, the Issuer is the ultimate holding company of the Group. As a finance and holding company, the majority of the Issuer's assets consist of loans granted to its Subsidiaries and shares held in the Guarantors and other Subsidiaries of the Issuer, with the only revenue generating activities of the Issuer being the receipt of interest income on funds advanced to its Subsidiaries and dividends received from its Subsidiaries, from time to time. The Issuer is thus

economically dependent on the operational results, the financial position and the financial performance of the Guarantors and other Subsidiaries. Consequently, the financial and operational results of the Guarantors and other Subsidiaries of the Issuer have a direct effect on the Issuer's financial position.

The ability of the Subsidiaries of the Issuer to effect payments of principal and interest to the Issuer in repayment of the loans, and the distribution of dividends by a Subsidiary in favour of the Issuer, is dependent on the cash flows and earnings of the relative Subsidiary, which may be restricted by: (i) changes in applicable laws and regulations; (ii) the terms of agreements to which they are or may become party, including the agreement governing their existing indebtedness, if any; (iii) risks of delays in completion of development projects; (iv) slowdowns in the tempo of property sales; and, or (v) other factors beyond the control of that Subsidiary.

The distribution of a dividend to the Issuer will depend upon, amongst other factors, the profit for the year, the view of the board of directors of the respective Subsidiary on the prevailing market outlook, any debt servicing requirements, the cash flows of the relative Subsidiary, working capital requirements, the Subsidiary's board's view on future investments, and the requirements of the Companies Act. In terms of Maltese law, a company may not make a distribution except out of profits available for distribution or if the directors conclude that it would not be in the best interests of the respective company. Any of the foregoing could limit the payment of dividends to the Issuer or, if the Subsidiary does pay dividends, the amount of such dividends.

2.2.1.2 Risks relating to the loss of senior management and other key personnel

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel, including executive, management, sales, investment, and project management personnel and upon its ability to attract, develop and retain such key personnel to manage and grow the business.

Moreover, if one or more of the members of this team were unable or unwilling to continue in their present position, particularly if such members are lost to competitors of the Group, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition, and results of operations.

2.2.2 Risks relating to the property sector

The Group is heavily invested in the property acquisition, development and management markets, which are constantly evolving market segments characterised by specific risks and uncertainties. The Issuer is thus intrinsically susceptible to the risks associated with activities in these market segments.

The occurrence of any of the factors referred to below could result in a Subsidiary of the Issuer defaulting in its obligation to repay amounts due to the Issuer or the ability of the Subsidiaries to distribute a dividend which, in turn, may negatively affect the Issuer's financial condition and results.

2.2.2.1 Risks associated with the acquisition, development, and sale of property

The Group's business relates to property acquisition and development targeted at the local commercial and residential market which is subject to several specific risks:

- a) the risk of delays, including albeit not limited to, delays (and, or refusals) in obtaining any necessary permits and cost overruns;
- b) the risk of sales transactions not being made at the prices and within the timeframes envisaged, which may lead to difficulty in obtaining payment from third parties as well as risks of ultimate unfeasibility of development projects;
- c) general industry trends, including the cyclical nature of the real estate market, economic depressions, change in market conditions including an oversupply of similar properties, a reduction in demand for real estate, changes in local preferences and tastes, as well as increased competition in any of the markets or sectors in which the Group is undertaking real estate development;
- d) the possibility of delays pursuant to a strain on the availability of human and other capital resources required for the development and completion of such projects resulting from heightened levels of activity in the sector;
- e) legal claims, with or without merit, instituted by third parties against the members of the Group; and
- f) extensive regulation, including national and local regulation and administrative requirements and policies which relate to, among other things, planning, developing, land use, local urban regeneration strategy, fire, health and safety, and others.

The occurrence of any of the risk factors described above could have a material adverse effect on the Group's business, financial condition and results of operations, including the increase of projected costs and times for completion of ongoing development projects.

Whilst the Group has no immediate or current plans for the development and, or sale of Portion B which shall be retained by the Group, should the Group decide to dispose of it at a later date, there is no guarantee that Portion B shall be disposed of at the carrying value at the time and within the timeframes envisaged. Accordingly, this could have an impact on the Group's ability to realise the full benefits that it expects from this investment.

2.2.2.2 Risks associated with property valuations and net realisable value

The valuations referred to in the Prospectus are prepared by independent qualified architects in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors ('RICS'). However, the valuation of property is intrinsically subjective and based on several assumptions at a given point in time. In providing a market value of the respective properties, the architects have 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. Subsequently, the Group may purchase and, or have purchased property on the basis of inaccurate valuations. Moreover, property valuations are largely dependent on current and, or, expected market conditions which may fluctuate from time to time. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

2.2.2.3 Risks associated with the engagement and, or the involvement of service providers and associated counterparty risks

The project companies forming part of the Group (including the Guarantors) rely upon service providers such as architects, building contractors and suppliers for the construction and completion of each of their respective developments. The Guarantors engaged the services of GGCL for the purposes of the Mosta Development, the Qawra II Development and the Qawra III Development, including the excavation, construction and finishing of both developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such service providers do not perform in line with the Group's expectations and in accordance with their contractual obligations. If these risks were to materialise, this will result in delays in development and completion which could have an adverse impact on the Group's business, its financial condition, results of operations and prospects, particularly if it is unable to sell the units by a certain date. Delays in the development and completion of the Mosta Development, the Qawra II Development and the Qawra III Development could have a material adverse impact on the Issuer's cash flows and revenue generation.

2.2.2.4 Risks relating to health and safety

GGCL is the contractor of the Qawra II Development, the Mosta Development and the Qawra III Development. The Group's construction arm is susceptible to risks relating to the health and safety of employees and third parties, including the risk of serious injury or even fatality. The Group is required to adopt, maintain, and constantly review comprehensive health and safety policies and practices.

Any failure in health and safety performance may result in penalties for non-compliance with the relevant regulatory requirements. A failure which results in a major or significant health and safety incident, such as injury to, or fatality of, members of the construction workforce or bystanders may be costly in terms of potential liabilities as well as the generation of adverse publicity having a negative impact on the Group's reputation. There can be no assurance that the Group's health and safety policies and practices will prove effective in ensuring health and safety on its property development sites.

Since GGCL is a Subsidiary of the Issuer, any penalties or damages incurred by GGCL in the exercise of its obligations as contractor may, indirectly, affect the financial performance of the Issuer.

2.2.2.5 Risks relating to the regulatory environment in which the Group operates

The Group's activities in the construction and development industry are subject to a vast array of rules and regulations, including but not limited to, environmental protection, construction, property acquisition, property development, health and safety, among others. Furthermore, the regulatory environment in which the Group operates is constantly evolving, with the introduction of new rules and regulations, or the amendment or overhaul of existing ones. In addition, the Group is susceptible to changes in the application and, or interpretation of such rules and regulations, whether as a result of judicial interpretation or due to decisions, orders, directives, and, or guidelines issued by the competent regulatory authorities.

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 property 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 a material adverse effect on the Group's business, financial condition, and results of operations.

2.2.2.6 The Group's insurance policies

The Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. Although the Group insures against damage incurred throughout the construction process, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer due to procedural restrictions or formalities, or due to substantive exclusions, exemptions, limitations on coverage, de minimis liability coverage limitations, prescriptive time periods and limitations, reporting or other disclosure requirements, licensing or other authorisation or registration requirements, breach of restrictive covenants or undertakings, breach of warranties and, or, representations, as well as restrictions or formalities relating to the initiation of, and control over, litigation, investigations or other proceedings relating thereto.

No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates. In addition, changes in legislation or judicial interpretation, or the issuance or alteration of directives, orders, or other measures (whether interim or otherwise), by the relevant authorities (including but not limited to governmental departments or authorities, planning authorities, health and safety authorities, environmental authorities, among others) may impact the ability to recoup losses under insurance coverage held by the Group. Furthermore, the actions, or inactions of employees or other officials of the Group, or of contractors, sub-contractors, outsourcing parties, or other third-parties engaged by the Group from time to time, may affect the ability of the Group to successfully make a claim under its insurance policies.

2.2.2.7 Competing developments

Similar developments in Qawra or Mosta (or in nearby areas) may result in the Group not being able to sell the residential units forming part of the Qawra II Development, the Qawra III Development and, or the Mosta Development within the projected timelines or prices envisaged by the Directors. Although the Directors are of the view that their pricing strategy is attractive, should competing developments be completed within the same timeframes as the Mosta Development, the Qawra II Development and, or the Qawra III Development, the Group's business, financial condition, and results of operations could be adversely affected.

2.2.2.8 Litigation risk

All industries, including the property development industry, are subject to legal claims, with or without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of litigation and dispute resolution processes, there can be no assurance that the resolution of any legal proceeding or dispute will not have a material adverse effect on the Group's future cash flow, results of operations or financial condition.

2.2.3 Risks relating to the economic repercussions of coronavirus ("COVID-19")

As a direct result of the spread of COVID-19, global economic activity, including Malta's economic activity, has experienced a general downturn, with certain industry sectors and market segments grinding to a standstill. Furthermore, the global economy has suffered from significant volatility, rising unemployment, delays and disruptions in supply chains and logistical arrangements, and significant deterioration in credit quality. The Group's revenue generated from its property development activities in Malta may be negatively impacted through a reduction in price of its units held for resale to third parties, as well as the risk of a downward shift in demand, frequency and volume of such revenue-generating property transactions. The Group's business development may also be delayed or abandoned altogether due to directives which may be issued by the relevant public and health authorities.

Beyond the direct economic impact of COVID-19, the pandemic also poses significant challenges to the continuity, efficacy, and proper functioning of the day-to-day operations of the Group. A spread of such disease amongst the employees of the Group, as well as any self-quarantine measures affecting the employees of the Group may negatively impact the ability of the Group's personnel to carry out their work at full-functionality or capacity which could negatively affect the Group's operations.

The exact nature of the risks that the Group faces and the manner and the extent to which they will ultimately impact the Issuer is difficult to predict and guard against in the light of: (i) the uncertainty as to the duration and impact of the COVID-19 pandemic; (ii) the interrelated nature of the risks involved; and (iii) the fact that the risks are totally or partially outside the control of the Group. Consequently, the continued realisation of the economic and financial repercussions associated with the COVID-19 pandemic constitutes a risk to the ability of the Issuer to dispose of the immovable property forming part of its ongoing projects at the projected rates and return.

Any of the above factors could have an adverse effect on the Group's operational results, financial position and performance, trading prospects and its ability to continue on a going concern basis. Even after the COVID-19 outbreak has subsided, the Group may still continue to experience a material adverse impact on its businesses and operations, until such time as economic conditions recoup.

3. DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS

3.1 Directors

As at the date of this Registration Document, the board of Directors of the Issuer is constituted as follows:

Name	Designation	Date of Appointment
George Muscat ID Card: 312355M	Chairman and Executive Director	1 June 2016
Paul Attard ID Card: 0359775M	Executive Director	1 June 2016
Adrian Muscat ID Card: 166682M	Executive Director	1 June 2016
Francis X. Gouder ID Card: 866550M	Independent Non-Executive Director	1 June 2016
Mark Castillo ID Card: 940546M	Independent Non-Executive Director	1 June 2016
Chris Cilia ID Card: 121268M	Independent Non-Executive Director	12 September 2016

The business address of the Directors is Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta.

Paul Attard, having the same business address as that of the Issuer, is the company secretary of the Issuer.

This Registration Document includes information given in compliance with the Capital Markets Rules for the purpose of giving information on the Issuer. All of the Directors, whose names appear under Section 3.1 of this Registration Document, accept responsibility for the information contained herein.

To the best of the knowledge and belief of the Directors (who have all taken reasonable care to ensure such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The persons listed under the sub-heading entitled "Advisors" have advised and assisted the Directors in the drafting and compilation of the Prospectus but they do not make any representation or statement unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

As at the date of this Registration Document, the board of directors of GQM is constituted as follows:

Name	Designation	Date of Appointment
George Muscat ID Card: 312355M	Director	23 September 2020
Paul Attard ID Card: 0359775M	Director	23 September 2020
Adrian Muscat ID Card: 166682M	Director	23 September 2020

The business address of the directors of GQM is Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta.

Paul Attard, having the same business address as that of GQM, is the company secretary of GQM.

As at the date of this Registration Document, the board of directors of GQL is constituted as follows:

Name	Designation	Date of Appointment
George Muscat ID Card: 312355M	Director	20 October 2021
Paul Attard ID Card: 0359775M	Director	20 October 2021
Adrian Muscat ID Card: 166682M	Director	20 October 2021

The business address of the directors of GQL is Gap Holdings Head Office, Ċensu Scerri Street, Sliema SLM 3060, Malta.

Paul Attard, having the same business address as that of GQL, is the company secretary of GQL.

3.2 Senior Management

The Issuer itself has no employees and is managed directly by its Directors. Each Subsidiary employs management personnel and other employees devoted to managing the project undertaken by that respective company. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Subsidiary; those services are then re-charged to the Subsidiary where they are from time to time deployed.

3.3 Advisors

Legal Counsel to the Sponsor, Manager and Registrar

Name: Camilleri Preziosi
Address: Level 3, Valletta Buildings, South Street
Valletta VLT 1103, Malta

Legal Counsel to the Issuer

Name: Dr. Chris Cilia
Address: 53, Doni Street
Rabat RBT 1324, Malta

Financial Advisors to the Issuer

Name: Deloitte Services Limited
Address: Deloitte Place, Mrieħel Bypass
Mrieħel BKR 3000, Malta

Sponsor, Manager and Registrar

Name: M.Z. Investment Services Limited
Address: 61, M.Z. House, St. Rita Street
Rabat RBT 1523, Malta

3.4 Auditors of the Issuer and the Guarantors

The Auditors of the Issuer

(a) *Auditors for the financial periods ended 31 December 2018*

The auditor of the Issuer for the financial year ended 31 December 2018 is:

Name: Emanuel P. Fenech
Address: 1, Tal-Providenza Mansions, Main Street, Balzan BZN 1254, Malta

Mr Fenech is a certified public accountant holding a practicing certificate to act as an auditor in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the laws of Malta). The Accountancy Board registration number of Mr Fenech is AB/2/17/22. Mr Fenech audited the annual statutory consolidated financial statements of the Issuer for the financial year ended 31 December 2018.

(b) Auditors for the financial period ended 31 December 2019

The auditors of the Issuer for the financial year ended 31 December 2019 are:

Name: EFS Audit Limited (C 93220)
Address: 1, Tal-Providenza Mansions, Main Street, Balzan BZN 1254, Malta

EFS Audit Limited is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta). The Accountancy Board registration number of EFS Audit Limited is AB/2/19/19. EFS Audit Limited audited the annual statutory consolidated financial statements of the Issuer for the financial year ended 31 December 2019.

The sole shareholder and director of EFS Audit Limited is Emanuel P. Fenech.

(c) Auditors of the Issuer as at the date of this Registration Document

As at the date of this Registration Document, the auditors of the Issuer are TACS Malta Limited (C 84698), a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta). The Accountancy Board registration number of TACS Malta Limited is AB/2/17/22.

The Auditors of the Guarantors

(a) Auditors of GQM

As at the date of this Registration Document, the auditors of GQM are TACS Malta Limited (C 84698), a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta). The Accountancy Board registration number of TACS Malta Limited is AB/2/17/22.

b) Auditors of GQL

As at the date of this Registration Document, the auditors TACS Malta Limited (C 84698), a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta). The Accountancy Board registration number of TACS Malta Limited is AB/2/17/22.

GQL is a newly incorporated company and has not published its first set of audited financial statements.

3.5 Security Trustee

Name: Equinox International Limited (C 29674)
Address: Level 3, Valletta Buildings, South Street,
Valletta VLT 1103, Malta

Equinox International Limited is licensed by the MFSA to act as a trustee in terms of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).

4. INFORMATION ABOUT THE ISSUER

4.1 Historical Development of the Issuer

4.1.1 Introduction

Full Legal and Commercial Name of the Issuer:	Gap Group p.l.c.
Registered Address:	Gap Group Head Office Ġensu Scerri Street Tigné, Sliema, SLM 3060, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 75875
Legal Entity Identifier	213800NHMAPF7JZ8CO50
Date of Registration:	1 June 2016
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Companies Act
Telephone Number:	+356 23271000
Fax:	+356 23271210
Email:	info@gap.com.mt
Website:	http://www.gap.com.mt

Unless otherwise incorporated by reference herein, the information on the Issuer's website does not form part of this Prospectus.

4.1.2 Overview of the Issuer's business

The Issuer is a holding company which, through its Subsidiaries, is involved in the acquisition and development of real estate properties. Since the Issuer does not carry out any trading activities of its own, the Issuer is mainly dependent on the business prospects of its operating Subsidiaries. Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors. Furthermore, the Issuer engages the services of its Subsidiary, GGCL, as the contractor responsible for the development of the immovable properties. Other than the foregoing, the Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

The Issuer was established in June 2016 and embarked on a number of developments in various localities in Malta, including Żebbug, Qawra and Gharghur. As at the date of this Registration Document, the following projects are ongoing or are completed with units available for sale on the market:

- (i) the Mellieħa Development;
- (ii) the Luqa Development;
- (iii) the Birkirkara Development;
- (iv) the Marsascale Development;
- (v) the San Pawl tat-Tarġa Development;
- (vi) the Qawra II Development; and
- (vii) the Mosta Development.

Further information on the developments referred to in (i) to (v) is set out in Section 6.4 of this Registration Document. Information on the developments referred to in (vi) and (vii) is set out in Section 6.1 and 6.2 of this Registration Document.

Through GQL, the Group is in the process of acquiring Qawra Site III and subsequently developing the Qawra III Development.

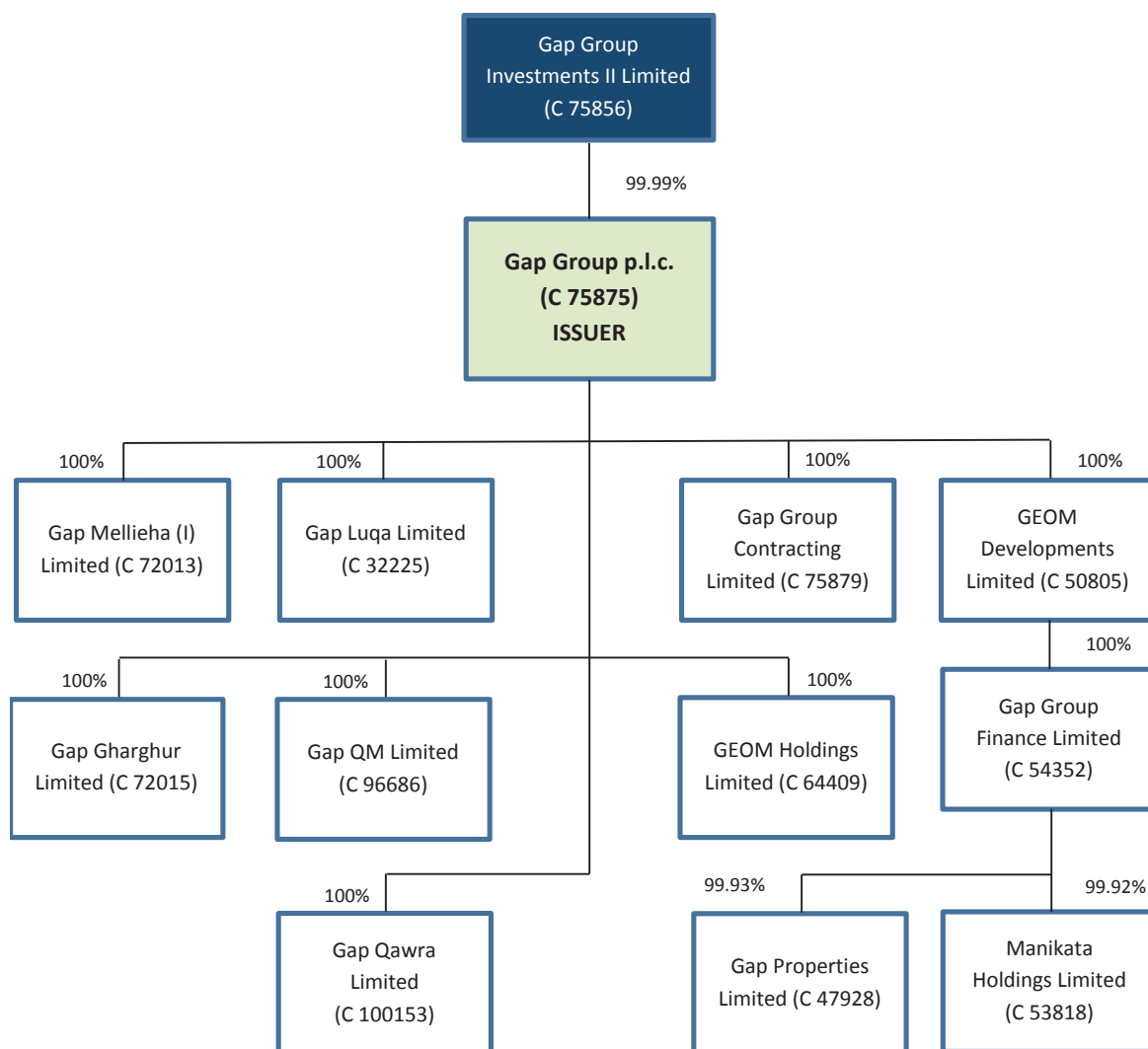
Several projects undertaken by the Subsidiaries of the Issuer were fully and, or partly funded (as applicable) by virtue of the issue of secured bonds on the Official List of the Malta Stock Exchange. The debt securities admitted to the Official List are listed below:

- (i) In September 2016, the Issuer issued the 2016 Bonds to principally finance the Mellieħa Development, the Gharghur Development and the Qawra I Development.
- (ii) In March 2019, the Issuer issued the 2019 Bonds to principally finance the Luqa Development. The 2019 Bonds entailed an exchange offer of the 2016 Bonds for the 2019 Bonds. By virtue of the issuance of the 2019 Bonds, the Issuer reduced the outstanding nominal amount of the 2016 Bonds from €40,000,000 to €19,931,000.
- (iii) In November 2020, the Issuer issued the 2020 Bonds to principally finance the Qawra II Development and the Mosta Development.

As at 31 October 2021, the aggregate amount of secured bonds in issue amounted to €69.5 million, while the reserve account pertaining to the 2016 Bonds carried a balance of €19.3 million, the reserve account pertaining to the 2019 Bonds carried a balance of €22.4 million and the reserve account pertaining to the 2020 Bonds carried a nil balance. In accordance with the terms and conditions of the respective secured bonds in issue and the trust deeds entered into by the security trustee of the said bond issues, cash balances accumulated in the respective reserve accounts may, *inter alia*, be utilised during the term of the respective secured bonds to repurchase said bonds from the market.

Save for the above, the Issuer itself has no other trading history.

4.1.3 Group organisational structure



The organisational structure of the Group is depicted above. The Group is ultimately equally owned by three individual shareholders, namely, Paul Attard, Adrian Muscat, and George Muscat, through Gap Group Investments II Limited (C 75856)¹. Each of GML, GPL, GGL, GDL, GHL, GLL, GQM and GQL are project companies entrusted with the construction and development of a real-estate project.

5. INFORMATION ABOUT THE GUARANTORS

5.1 GQM

GQM is the Subsidiary of the Issuer which manages the development of the Mosta Development and the Qawra II Development.

5.1.1 *Historical Development of GQM*

Full Legal and Commercial Name of GQM:	Gap QM Limited
Registered Address:	Gap Group Head Office Ċensu Scerri Street Tigné, Sliema, SLM 3060, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 96686
Legal Entity Identifier	485100R9R2JF5F7NWI08
Date of Registration:	23 September 2020
Legal Form:	GQM is lawfully existing and registered as a private limited liability company in terms of the Companies Act
Telephone Number:	+356 23271000
Fax:	+356 23271210
Email:	info@gap.com.mt

5.1.2 *Overview of GQM's business*

GQM is a single member private limited liability company registered and operating in Malta in terms of the Companies Act. The principal activity of GQM is the development, management, and construction of real estate properties in Malta. The Issuer established GQM as a special purpose vehicle for the purpose of acquiring and developing the Mosta Development and Qawra II Development.

5.2 GQL

GQL is the Subsidiary of the Issuer which shall acquire Qawra Site III and shall manage the development of the Qawra III Development.

5.2.1 *Historical Development of GQL*

Full Legal and Commercial Name of GQL:	GAP Qawra Limited
Registered Address:	Gap Group Head Office Ċensu Scerri Street Tigné, Sliema, SLM 3060, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 100513
Legal Entity Identifier	485100SHR9VNI0MTLL46
Date of Registration:	20 October 2021
Legal Form:	GQL is lawfully existing and registered as a private limited liability company in terms of the Companies Act
Telephone Number:	+356 23271000
Fax:	+356 23271210
Email:	info@gap.com.mt

5.2.2 *Overview of GQL's business*

GQL is a single member private limited liability company registered and operating in Malta in terms of the Companies Act. The principal activity of GQL is the development, management, and construction of real estate properties in Malta. The Issuer established GQL as a special purpose vehicle for the purpose of acquiring the Qawra Site III and developing the Qawra III Development.

6. THE PROJECTS

6.1 The Qawra II Development

GQM acquired Qawra Site II on 11 December 2020 for a consideration of €4.6 million over which the Qawra II Development is in the course of being developed and completed. The village of Qawra is in the northern part of Malta. Being a coastal village, Qawra is a popular tourist destination but is also attractive to locals seeking to purchase a summer home or a reasonably priced residency.

The site has a superficial area of approximately 1,924m². On completion, the Qawra II Development shall comprise six blocks of residential units consisting, in aggregate, of 80 residential units, as detailed hereunder:

Block	Apartments
A	8
B	14
C	15
D	14
E	16
F	13

**The Issuer may re-designate the numbers and blocks of apartments, according to market conditions and demands.*

The Qawra II Development shall be spread over eight levels and shall include 90 lock-up garages spread over two underground levels. The combined gross floor space of the residential units and garages shall consist of an area of 16,810m². Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a complete state and will comprise a mix of two and four bedroomed residential units, measuring approximately 120m² to 210m², respectively, which shall be priced to target primarily first-time buyers and buy-to-let investors. The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra II Development to a market (first-time buyers and buyers seeking a summer residence) where the Directors believe demand will remain strong.

Further information on the Qawra II Development is included in the architect's valuation report incorporated by reference to this Prospectus.

Conditions attaching to Qawra Site II

The land forming part of Qawra Site II has the following conditions attached to it:

- the requirement to develop a drive/ramp/yard measuring 20 feet between Qawra Site II and another plot adjacent to Qawra Site II. The development of the drive/ramp/yard will not have a material effect on the Qawra II Development;
- a condition imposed by the Planning Authority that any future development within the master plan area (where Qawra Site II is situated) will not result in a floor area of less than 6,600m² of commercial component and the layout of the back yards and alignment should follow that indicated in an approved plan bearing reference number PA0415/14/167C/167D. The said condition will not affect the Qawra II Development;

Part of Qawra Site II is subject to an emphyteutical grant. In addition to the conditions referred to above, in terms of the emphyteutical grant, Qawra Site II is not to be used for immoral purposes or for any activity which is against the teachings of the Roman Catholic Church of Malta. The Qawra II Development will not breach this condition.

The area of Qawra Site II which is subject to emphyteusis is set out in the valuation report with reference to a site plan. The valuation report is incorporated by reference to this Prospectus.

Permits

Further to the applications bearing numbers: PA/03474/20, PA/03475/20, PA/04256/20 and PC/0001/21, the Planning Authority issued a full development permit for the excavation of Qawra Site II and the construction of the Qawra II Development. In addition to such permits, there is currently a pending application bearing number PA/03257/21 for consideration by the Planning Authority which caters for an additional 13 residential units and 52 car spaces. As at the date of this Prospectus this permit has not been approved and issued by the Planning Authority. The development of the units and car spaces referred to in application bearing number PA/03257/21 shall be financed from the Group's own funds and not from the proceeds of the Secured Bonds.

Construction and Development

The overall costs of the construction and finishing of the Qawra II Development, excluding the cost of acquisition of Qawra Site II, is expected to be in the region of €7.6 million as detailed below:

Excavation	€0.5 million
Construction	€3.3 million
Finishes	€3.4 million
Contingency	€0.4 million

The construction of the Qawra II Development commenced in Q1 2021, with construction envisaged to be completed by Q1 2022 and fully finished by Q1 2023. As at 30 September 2021, construction works were 60% completed. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €7.6 million. Payment under the said contract shall be settled by GQM according to agreed fixed monthly payments. The remaining estimated total cost of development is approximately €6.3 million.

Sales Revenue

On the assumption that all the residential units and garages of the Qawra II Development shall be sold, the Directors expect the aggregate net sales revenues from the Qawra II Development to be in the region of €18.5 million.

6.2 The Mosta Development

GQM purchased the Mosta Site on 11 December 2020 for a consideration of €10.1 million over which the Mosta Development shall be developed and completed. The village of Mosta is located in the northern region of Malta and is sought after by locals for the purposes of their primary residence. Mosta is a relatively large town which boasts of historical sites, shopping centres and other amenities. The Mosta Development is located on the outskirts of Mosta in a quieter area of the village.

The site has a superficial area of approximately 5,895m² which on completion, shall comprise 94 residential units spread over ten blocks, as detailed hereunder:

Block	Residential Units*
A	4
B	7
C	8
D	8
E	36
F	3
G	6
H	6
I	8
J	8

** The Issuer may re-designate the numbers and blocks of apartments according to market conditions and demands.*

The Mosta Development shall be spread over four levels and shall include 109 parking spaces, spread over one underground level, as well as four commercial units. The combined gross floor space of the residential units and garages shall consist of a saleable area of 20,208m².

The residential units shall be sold in a completed state, including all common areas except for the commercial units which will be sold in shell form internally and finished externally. Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage level. Furthermore, the penthouses at the topmost level of each block, shall be owned by third parties and shall include full ownership of the respective roof and airspace.

The project targets two different segments of prospective buyers. The majority of the development (68% of the Mosta Development) is targeted at the medium segment of the market. Such part of the development consists of two to three bedroomed residential units which have an approximate area of 120m² – 165m² per residential unit. The remainder of the development (32% of the Mosta Development) is targeted at the medium to high segment of the market. Such part of the development consists of larger residential units having an area of 200m² per residential unit, with each residential unit enjoying unobstructed valley and distant views. The said latter part of the development is targeted at the medium to high segment of the market.

Further information on the Mosta Development is included in the architect's valuation report incorporated by reference to this Prospectus.

Conditions attaching to the Mosta Site

In terms of the preliminary agreement pertaining to the Mosta Site, GQM agreed to develop and construct the said site in accordance with the permits issued by the Planning Authority by not later than three years from the final deed of transfer. The delay of GQM in completing the works required for such development and construction will give rise to a penalty in favour of the vendor of the Mosta Site of €500 per day as from the expiration of three months from the lapse of the said three-year period from the final deed of transfer.

Permits

Further to the applications bearing numbers: PA/01383/18 and PC/00015/21, the Planning Authority issued a full development permit for the excavation of the Mosta Site and the construction of the Mosta Development. In addition to such permits, there is currently a pending application bearing number PA/02567/21 for consideration by the Planning Authority which caters for an additional 33 residential units as well as the redesign of the layout of the residential units overlooking Triq tal-Qares. As at the date of this Prospectus this permit is yet to be approved and issued by the Planning Authority. The development of the units as well as the redesign of the layout covered by this permit referred to in applications bearing numbers PA/01383/18 and PC/00015/21, shall be financed from the Group's own funds.

Parts of the site contain some archaeological features. Following the successful conclusion of a consultation process with the Planning Authority and the Superintendence of Cultural Heritage, a full development permit was issued which includes a condition that no extensive excavation will take place on the site and therefore all the parking spaces and the few commercial outlets will be at ground floor and elevated ground floor levels. Further detail on the manner in which the archaeological features will be protected is set out in the valuation report incorporated by reference to the Prospectus.

Construction and Development

The overall construction and finishing expenditure of the Mosta Development is expected to be in the region of €9.1 million as detailed below:

Construction	€4.0 million
Finishes	€4.7 million
Contingency	€0.4 million

The construction of the Mosta Development commenced in Q1 2021, with construction envisaged to be completed by Q1 2022 and fully finished by Q1 2023. Development site cleaning and preparatory works commenced in Q1 2021. As at 30 September 2021, constructions works are 10% completed consisting in the partial construction of the garage complex.

Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €9.1 million.

Sales Revenue

On the assumption that all the residential units and car spaces shall be sold, the Directors expect that the aggregate net sales revenues from the Mosta Development to be in the region of €29.4 million.

6.3 Qawra Site III and the Qawra III Development

On 16 November 2021, GQL acquired the rights under a preliminary agreement dated 18 February 2021 relating to the sale and transfer of the temporary utile dominium of the Qawra Site III. In terms of the said preliminary agreement so assigned in GQL's favour, GQL agreed to purchase and acquire the temporary utile dominium for the remaining period of 107 years out of the original grant of 150 years (granted on 6 July 1978) of Qawra Site III, for a consideration of €7,500,000.

The Qawra Site III has a superficial area of approximately 2,375m². GQL has allocated different uses to Qawra Site III: Portion A is earmarked for residential purposes and is the portion of Qawra Site III over which the Qawra III Development shall be developed and completed; Portion B is earmarked for touristic purposes and shall be held by the Group for resale or for future development.

Portion A – the Qawra III Development

Portion A, measuring approximately 1395m², shall be utilised for the construction of the Qawra III Development which, on completion, shall comprise three blocks of residential units, as detailed hereunder:

Block	Residential Units
1	16
2	16
3	14

** The Issuer may re-designate the numbers and blocks of apartments, according to market conditions and demands.*

The Qawra III Development will consist of four maisonettes and two shops at ground floor, 36 apartments spread over six floors and six penthouses on the seventh floor which will be sold in a finished state (excluding internal doors) and including all common areas.

The Qawra III Development shall be spread over eight levels and shall include 58 lock-up garages spread over two underground levels, as well as two commercial units. The combined gross floor space of the residential units and garages shall consist of an area of 11,575m². Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a completed state, including all common areas and will comprise a mix of two and three bedroomed residential units, measuring approximately 180m² to 210m², respectively, which shall be priced to target primarily first-time buyers and buy-to-let investors. The commercial units shall be sold in shell form internally and finished externally.

The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra III Development to a market (first-time buyers and buyers of summer residences) where the Directors believe demand will remain strong.

Further information on the Qawra III Development is included in the architect's valuation report incorporated by reference to this Prospectus.

Portion B

Portion B, measuring approximately 980m², shall be retained by the Group for future development or for resale depending on market circumstances and business opportunities of the Group. Portion B is subject to a permit for the development of a hostel as further detailed in the paragraph entitled "Permits" of this section of this Registration Document. As at the date of this Registration Document, the Group has no current intention to undertake any such development and the Issuer shall not be making any reliance for the repayment on the Secured Bonds on any proceeds from the sale or any development of Portion B.

Conditions attaching to Qawra Site III

Qawra Site III is subject to an emphyteutical grant of 150 years commencing on 5 July 1978. In terms of the said emphyteutical grant, should the acquirer of the temporary utile dominium of Qawra Site III fail to pay three consecutive yearly payments of ground-rent (at the rate of €142.50 per year), the direct owners have the right to rescind the emphyteutical concession and all improvements thereon will revert to the direct owner. Qawra Site III is not to be used for immoral purposes or for any activity which is against the teachings of the Roman Catholic Church of Malta. The Qawra III Development will not breach this condition.

Permits

Qawra Site III is subject to a full development permit bearing number PA /06229/19 issued by the Planning Authority on 22 July 2021 for the excavation of Qawra Site III and the construction of the Qawra III Development. Moreover, this permit also caters for the development of a 115 room hostel over Portion B. The Group does not intend on developing the hostel.

Construction and Development

The overall costs of construction and finishing of the Qawra III Development, excluding the cost of acquisition of Qawra Site III, is expected to be in the region of €4.3 million as detailed below:

Excavation	€0.2 million
Construction	€1.9 million
Finishes	€2.0 million
Contingency	€0.2 million

The construction of the Qawra III Development is intended to commence in Q4 2021, with construction envisaged to be completed by Q2 2023 and fully finished by Q1 2024. Development works shall be carried out by GGCL pursuant to a works contract entered into between GQL and GGCL for a value of approximately €4.3 million. Payment under the said contract shall be settled by GQL according to agreed fixed monthly payments.

Sales Revenue

On the assumption that all the residential units and garages of the Qawra III Development shall be sold, the Directors expect the aggregate net sales revenues from the Qawra III Development to be in the region of €12.5 million.

6.4 Other Major Projects Undertaken by the Group

THE LUQA DEVELOPMENT

In April 2017, GLL (a Subsidiary of the Issuer) acquired legal title over a building site, including its sub-terrain and airspace, having approximately 8,500m², in Luqa, accessible from eight streets, namely, Triq Gorg Zahra, Triq Tumas Galea, Triq I-Iskola, Triq Geraldus Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq I-Ahwa Vassallo and Triq Guzeppi Callus, in an area known as Ta' Blejkiet in Luqa. The site is situated in the heart of the residential area of Luqa with close and direct access to the town's village core. The public school of the village and one of the largest supermarkets in the south of Malta are also in close vicinity and directly accessible to the Luqa Development. Furthermore, the property is located within a few metres from the arterial road which links the Malta International Airport to the rest of the island.

The Luqa Development is split into five zones and on completion comprises 21 blocks having 301 underlying lock-up garages/car spaces and 268 residential units, as detailed below.

Zone	Footprint	Blocks (qty)	Garages/Car Spaces (qty)	Residential units (qty)
A	2,182	6	52	69
B	951	3	21	37
C	2,800	6	137	81
D	980	2	33	38
E	1,545	4	58	43
	8,458	21	301	268

As at 30 June 2021, all five zones were fully completed. Finishing works in relation to Zone E shall be completed by the end of Q4 2021. The total estimated cost for completion of all zones is approximately €17.5 million. The outstanding development costs are being funded principally from net proceeds of the 2019 Bonds, deposits received pursuant to preliminary sale agreements and from proceeds receivable on the signing of sale contracts. All given zones are covered by full development permits.

All zones have been launched on the market by GLL through real estate agents in Malta, as well as through the Group's official website and other forms of social media. As at 30 June 2021, 174 units have been sold for a total revenue of €35.5 million. A further 73 units, out of a total of 268 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €16.1 million, whereas the remaining 21 units are expected to be sold for an aggregate of approximately €5.9 million.

Development works are being carried out by GGCL pursuant to a works contract entered into between GLL and GGCL for a value of approximately €17.5 million. GLL and GGCL entered into a public deed in the records of Notary Dr Andre Farrugia dated 14 February 2019 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Luqa Development in the event of non-payment by GLL.

GLL acts as the guarantor of the 2019 Bonds. As security provider under the 2019 Bonds, GLL granted a special hypothec over the Luqa Development in favour of the security trustee of the 2019 Bonds and a general hypothec over all of its assets both present and future. The security trustee of the 2019 Bonds waives its hypothecary and privileged rights over a residential unit on each final contract of sale against the receipt of the percentage of the sales proceeds, which amount is credited to a reserve account for the benefit of the bondholders of the 2019 Bonds.

THE MELLIEHA DEVELOPMENT

In October 2016, GML acquired a plot of land measuring approximately 5,100m², with access from three streets surrounding the property situated in the Ta' Masrija area in Mellieha over which the Mellieha Development was developed and constructed. The Mellieha Development is located in the village of Mellieha in the northern region of Malta. It enjoys unobstructed country views of the imposing area known as Mizieb and distant sea views of the island's north-western coastline.

The Mellieha Development comprises of 159 luxury residential units which are being sold finished in a completed state. The Mellieha Development encompasses ten blocks of residential units each with separate entrances and underlying garage levels. The residential units at the topmost level also have access to the roof level and enjoy full ownership thereof. The development includes 174 lock-up underground garages spread over three underground levels. As at the date of this Prospectus, the Mellieha Development is fully complete in terms of construction works and finishings.

As at 30 June 2021, 140 residential units have been sold and a further 17 units, out of a total of 159 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €7.4 million, whereas the remaining two units are expected to be sold for an aggregate of approximately €1.6 million.

GML acts as the guarantor of the 2019 Bonds. It also granted collateral as security for both the 2016 Bonds and the 2019 Bonds. As security provider under the 2016 Bonds, GML granted a special hypothec over Block A of the Mellieha Development in favour of the security trustee of the 2016 Bonds. As security for the obligations of the Issuer under the 2019 Bonds, GML constituted a general hypothec over all its assets present and future and a special hypothec over Blocks B to E of the Mellieha Development in favour of the security trustee of the 2019 Bonds. The security trustee of the 2016 Bonds and the 2019 Bonds, respectively, waives their hypothecary and privileged rights over a residential unit on each final contract of sale against the receipt of the percentage of the sales proceeds, which amount is credited to a reserve account for the benefit of the bondholders of the 2016 Bonds and 2019 Bonds, as applicable.

THE MARSASCALA DEVELOPMENT

In 2019, GPL acquired a site measuring 2,402m² which is accessible from three streets, namely, Triq il-Kappara, Triq il-Vajrita and Triq Guzeppi Lanzon, Marsascala. Construction works commenced in Q1 2020 and are now completed. Finishing works will be completed in Q3 2021. The project comprises 63 residential units and 93 garages. Aggregate development costs, including acquisition of land, are estimated to amount to €13.9 million and are being funded from own funds and a bank loan facility. As at 30 June 2021, 29 units were subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project is that of €18.6 million.

Further to the above, the bank loan facility granted by the relevant bank was secured by GPL by virtue of a first-ranking general hypothec over all its assets, present and future, in favour of the relevant lender together with a first-ranking special hypothec over the property in Marsascala.

THE SAN PAWL TAT-TARĠA DEVELOPMENT

In 2019, GGL acquired a site measuring 330m², situated in Triq Jean de la Vallette, San Pawl ta-Tarġa, Naxxar over which nine residential units and eight garages shall be developed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.25 million and are being funded from own funds and a bank loan facility. As at 30 June 2021 the project has been fully completed. The residential units were placed on the market towards the end of Q3 2020 and one unit has been contracted. The projected revenue from the sale of the units forming part of this project is that of €2.9 million.

Further to the above, the bank loan facility granted by the relevant bank was secured by GGL by virtue of a first-ranking general hypothec over all its assets, present and future, in favour of the relevant lender together with a first-ranking special hypothec over the property in San Pawl tat-Tarġa.

THE BIRKIRKARA DEVELOPMENT

In 2019, GGL acquired a site measuring 450m², situated in Triq Qormi, Birkirkara, over which 14 residential units and nine garages shall be constructed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.6 million and are being funded from own funds and a bank loan facility. The project is fully completed and as at 30 June 2021, two units were sold and six units were subject to a promise of sale agreement. The projected revenue from the sale of the units forming part of this project is that of €3.5 million.

Further to the above, the bank loan facility granted by the relevant bank was secured by GGL by virtue of a first-ranking general hypothec over all its assets, present and future, in favour of the relevant lender together with a first-ranking special hypothec over the property in Birkirkara.

7. TREND INFORMATION AND FINANCIAL PERFORMANCE

7.1 Trend Information

The Directors are of the view that the Issuer, GQM and GQL shall, generally, be subject to the normal business risks associated with the property market in Malta and barring unforeseen circumstances, does not anticipate any likely material adverse effect on the Issuer's, GQM's and GQL's prospects, at least up to the end of 2022.

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, governmental authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.²

Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

Governmental authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.

The Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

The strong response from investors for the Group's latest major projects - Mellieħa Development and the Luqa Development - has shown that there is steady demand for real estate in Malta, which continues to support the current level of prices, notwithstanding the rise in the number of developments undertaken in Malta in the last few years and others which are due to commence in the near term, over and above the uncertainties that continue to persist as a consequence of the COVID-19 pandemic.

In view of the above, the Directors are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy will continue to gradually return to pre-COVID 19 levels within a short period of time without adversely impacting business confidence, primary industries such as hospitality, and disposable incomes.

In the near term, the Group will be principally focused on completing the Luqa Development, Qawra II Development and Mosta Development, and will continue to market the remaining units available for sale at the Luqa Development, Mellieħa Development and the projects in Marsascula, San Pawl tat-Tarġa and Birkirkara. At the same time, the Group will direct resources towards the construction of the Qawra III Development once the Qawra Site III is acquired pursuant to the Bond Issue.

² International Monetary Fund - Malta (IMF Country Report No. 21/211, September 2021)

There has been no material adverse change in the prospects of the Issuer since 31 December 2020 (being the date of its last published audited financial statements). Furthermore, there has been no significant change in the financial performance of the Group since 30 June 2021 (being the date of the last financial period for which financial information has been published) to the date of the Prospectus.

7.2 Key Financial Review

7.2.1 Key financial review - the Issuer

The historical financial information about the Issuer is included in the audited consolidated financial statements for the financial period 31 December 2018, 31 December 2019, and 31 December 2020. The interim financial information about the Issuer is extracted from the unaudited condensed consolidated financial information for the six-month period beginning 1 January 2021 up to 30 June 2021. The said statements and the audit reports have been published and are available at the Issuer's registered office and on the Issuer's website.

GAP Group p.l.c.				
Consolidated Statement of Comprehensive Income				
	for the year ended 31 December			for the 6-mth period ended 30 June
	2018	2019	2020	2020
	Audited	Audited	Audited	Unaudited
	€'000	€'000	€'000	€'000
Revenue	30,444	28,287	23,786	14,392
Cost of sales	(21,747)	(20,500)	(13,600)	(10,035)
Administrative expenses	(1,701)	(1,650)	(1,167)	(685)
Operating profit	6,996	6,137	9,019	3,672
Investment income	683	729	592	362
Finance costs	(2,258)	(3,493)	(4,027)	(1,355)
Profit before tax	5,421	3,373	5,584	2,679
Taxation	(2,439)	(2,245)	(1,482)	(985)
Profit for the year/period	2,982	1,128	4,102	1,694
Other comprehensive income				
Movement in fair value of financial assets	191	157	(123)	(28)
Total comprehensive income for the year/period	3,173	1,285	3,979	1,666

In FY2018, the Group generated revenues of €30.4 million as compared to €15.0 million a year earlier, mainly from sales contracts for units in the Mellieha Development as to €16.2 million, and the remaining amount principally from the Qawra II Development and Gharghur Development. Operating profit increased from €2.9 million in FY2017 to €7.0 million, while comprehensive income amounted to €3.2 million in FY2018 (FY2017: €0.7 million).

During FY2019, the Gap Group was principally involved in the construction and development of the following projects:

- Mellieha Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, nine blocks were fully complete, while construction works on another six blocks have commenced. Development of the final six blocks started later in that year. It is envisaged that the project will be completed in its entirety by Q4 2021.

Furthermore, in FY2019, the Group acquired another three sites in Marsascala, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.

In the afore-mentioned financial year, the Group generated aggregate revenue of €28.3 million, a decrease of €2.2 million when compared to the prior year. Revenue was principally derived from the sale of units forming part of the Mellieha Development and the Luqa Development. Operating profit was lower on a comparable basis by €0.9 million and amounted to €6.1 million. In FY2019, net finance costs (being investment income less finance costs) were materially higher from FY2018 by 75% to €2.8 million, which adversely impacted net profit for the year. An amount of circa €1 million in finance costs was a one-off item and resulted from the premium paid by the Issuer to holders of the 2016 Bonds who had opted to exchange same to the 2019 Bonds. Overall, GAP Group reported total comprehensive income for FY2019 of €1.3 million compared to €3.2 million in FY2018.

In FY2020, the Group generated revenue amounting to €23.8 million compared to €28.3 million in FY2019 (-16%). Approximately 55% of revenue was derived from sales of units forming part of the Mellieha Development and circa 39% from the Luqa Development. Operating profit for the year amounted to €9.0 million, an increase of €2.9 million from a year earlier, and total comprehensive income amounted to €4.0 million (FY2019: €1.3 million).

During the six-month period ended 30 June 2021, the Group generated revenue amounting to €28.0 million compared to €14.4 million in the comparable period. Approximately 36% of revenue was generated from sales of units forming part of the Mellieħa Development and circa 61% from the Luqa Development. Operating profit for the six-month period amounted to €6.7 million, an increase of €3.0 million from the six-month period ended 30 June 2020, and total comprehensive income amounted to €4.3 million (FP2020: €1.7 million).

GAP Group p.l.c.					
Consolidated Cash Flow Statement					
	for the year ended 31 December			for the 6-mth period ended 30 June	
	2018	2019	2020	2020	2021
	Audited	Audited	Audited	Unaudited	Unaudited
	€'000	€'000	€'000	€'000	€'000
Net cash from (used in) operating activities	7,489	(20,317)	(10,862)	2,217	14,131
Net cash from (used in) investing activities	6,939	(1,206)	507	185	(6,162)
Net cash from (used in) financing activities	(1,285)	27,395	3,620	(3,546)	1,037
Net movement in cash and cash equivalents	13,143	5,872	(6,735)	(1,144)	9,006
Cash and cash equivalents at beginning of year	1,181	14,324	20,196	20,196	13,461
Cash and cash equivalents at end of year	14,324	20,196	13,461	19,052	22,467

Net cash outflow from operating activities in FY2020 amounted to €10.9 million compared to cash outflows of €20.3 million in FY2019. The cash outflow in FY2020 was mainly due to a y-o-y increase of €13.7 million in property inventory. Net cash from investing activities amounted to €0.5 million (FY2019: cash used in investing activities of €1.2 million) and primarily represented investment income.

Net cash from financing activities in FY2020 amounted to €3.6 million which was principally raised from issuance of bonds and bank loan facilities. In FY2020, net movement in cash and cash equivalents amounted to €6.7 million (adverse balance) compared to €5.9 million in FY2019 (positive balance).

Net movement in cash and cash equivalents in the six-month period ended 30 June 2021 amounted to a cash inflow of €9.0 million (FP2020: cash outflow of €1.1 million). Net cash from operating and investing activities amounted to €8.0 million (in aggregate). Cash from financing activities amounted to €1.0 million, and mainly comprised net increase in borrowings, repurchase of 2016 Bonds and 2019 Bonds, and amounts paid to related parties.

GAP Group p.l.c.
Consolidated Statement of Financial Position

	31 Dec'18 Audited €'000	31 Dec'19 Audited €'000	31 Dec'20 Audited €'000	30 Jun'21 Unaudited €'000
ASSETS				
Non-current assets				
Property, plant and equipment	30	32	23	22
Investments	2,145	6,012	6,097	6,406
Loans and other receivables	11,583	10,111	10,382	10,519
Sinking fund	3,975	24	6,480	12,490
	<u>17,733</u>	<u>16,179</u>	<u>22,982</u>	<u>29,437</u>
Current assets				
Inventory - development project	22,786	48,958	62,649	52,976
Trade and other receivables	387	2,553	4,303	5,208
Cash and cash equivalents	624	7,698	2,060	2,664
Sinking fund	13,707	12,498	11,901	19,803
	<u>37,504</u>	<u>71,707</u>	<u>80,913</u>	<u>80,651</u>
Total assets	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>110,088</u>
EQUITY				
Capital and reserves				
Called up share capital	2,500	2,500	2,500	2,500
Other capital	2,900	3,057	2,934	2,988
Retained earnings	4,469	5,598	9,700	11,458
	<u>9,869</u>	<u>11,155</u>	<u>15,134</u>	<u>16,946</u>
LIABILITIES				
Non-current liabilities				
Borrowings and other financial liabilities	5	6,141	7,737	11,448
Debt securities	39,473	56,991	69,864	68,903
	<u>39,478</u>	<u>63,132</u>	<u>77,601</u>	<u>80,351</u>
Current liabilities				
Bank overdrafts	7	-	500	2,000
Borrowings and other financial liabilities	111	2,610	657	181
Other current liabilities	5,772	10,989	10,003	10,610
	<u>5,890</u>	<u>13,599</u>	<u>11,160</u>	<u>12,791</u>
	<u>45,368</u>	<u>76,731</u>	<u>88,761</u>	<u>93,142</u>
Total equity and liabilities	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>110,088</u>

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieha Development. Liquid assets (including sinking fund and cash) amounted to €20.4 million (FY2017: €12.1 million). Other assets mainly comprise loans due from related parties of €11.6 million (FY2017: €10.2 million). As to liabilities, the Group had outstanding €40 million in 4.25% secured bonds due 2023, advance deposits amounting to €3.3 million and capital creditor balances of €1.7 million.

The Group's balance sheet as at 31 December 2019 included total assets amounting to €87.9 million, made up of inventory (being acquisition of sites in Marsascala, San Pawl Tat-Tarġa and Birkirkara and works-in-progress on property developments) of €49.0 million, related party balance of €12.7 million and cash balances amounting to €20.2 million. Moreover, an amount of €6.0 million represented investments in various corporate bonds.

Liabilities principally included debt securities of €57.0 million, while bank loans and other financial liabilities amounted to €8.8 million. Shareholders' equity as at 31 December 2019 amounted to €11.2 million compared to €9.9 million a year earlier.

In FY2020, the Group raised €21 million through the issue of the 2020 Bonds, €15 million of which was used to acquire the Qawra Site II and the Mosta Site. The remaining balance was utilised to settle capital creditor balances and to part-fund ongoing development costs in relation to the Qawra II Development and the Mosta Development. Inventory increased from €49.0 million in FY2019 to €62.6 million, while cash balances (including sinking fund amounts) increased from €20.2 million in FY2019 to €20.4 million.

Total assets as at 30 June 2021 increased by €6.2 million when compared to 31 December 2020 to €110.1 million. Sinking fund reserves increased by €13.9 million, while inventories decreased by €9.7 million, representing the net value of units released from inventories (following completion of sale contracts) less additional development works during the period.

Equity and borrowings increased by €1.8 million and 3.8 million respectively during the six-month period to 30 June 2021.

7.2.2 Key financial review - GQM

GQM was established on 23 September 2020 to acquire and develop the Mosta Development and the Qawra II Development. Accordingly, GQM has not prepared its first set of audited accounts which will cover the period 23 September 2020 to 31 December 2021. The interim financial information about GQM is extracted from the unaudited condensed consolidated financial information for the period 23 September 2020 to 30 June 2021. The interim statements have been published and are available at GQM's registered office and on Issuer's website.

Gap QM Limited

Income Statement

for the period 23 September 2020 to 30 June 2021

(€'000)

Administrative expenses	(1)
Loss for the period	(1)

Gap QM Limited

Cash Flow Statement

for the period 23 September 2020 to 30 June 2021

(€'000)

Net cash used in operating activities	(17,168)
Net cash from financing activities	17,172
Net movement in cash and cash equivalents	4
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	4

Gap QM Limited
Statement of Financial Position
As at 30 June 2021

(€'000)

ASSETS

Current assets

Inventory - development project	18,445
Trade and other receivables	35
Cash and cash equivalents	4
	<u>18,484</u>
Total assets	<u>18,484</u>

EQUITY

Capital and reserves

Called up share capital	5
Retained earnings	(1)
	<u>4</u>

LIABILITIES

Current liabilities

Borrowings and other financial liabilities	17,172
Other current liabilities	1,308
	<u>18,480</u>
	<u>18,480</u>
Total equity and liabilities	<u>18,484</u>

During the period under review, GQM has been principally involved in the development of the Qawra II Development and Mosta Development.

Inventory as at 30 June 2021 amounted to €18.4 million and comprises cost of acquisition of the above-mentioned property and development costs. Such expenditure has been funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 Bonds).

7.2.3 Key financial review - GQL

GQL was established on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development. Accordingly, since incorporation to the date of the Prospectus, GQL was not involved in any trading or business activities.

8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

8.1 The Board of Directors of the Issuer and the Guarantors

8.1.1 Directors of the Issuer

As at the date of this Registration Document, the board of directors of the Issuer is constituted of the Directors, whose names appear under the heading numbered 3.1 of this Registration Document.

8.1.2 Directors of GQM

As at the date of this Registration Document, the board of directors of GQM is constituted of the names which appear under the heading numbered 3.1 of this Registration Document.

8.1.3 Directors of GQL

As at the date of this Registration Document, the board of directors of GQL is constituted of the names which appear under the heading numbered 3.1 of this Registration Document.

8.1.4 Curriculum Vitae of Directors

The following are the Directors of the Issuer and their respective *curriculum vitae*:

George Muscat: George Muscat started his property development and construction business in the 1970s. Over the years, Mr Muscat has embarked on a variety of projects, from single block residential apartments to large and ambitious projects including Fort Cambridge in Sliema. George Muscat is a shareholder and director of several companies which do not form part of the Group, but which are involved in the construction, property development, and real estate business, including Gap Holdings Limited (C 27803) which has undertaken various property developments. As at the date of this Prospectus, under the leadership of Mr Muscat, the Group has built up a considerable portfolio of residential and commercial developments at prices which service all sectors of the market.

George Muscat is also a director and the ultimate beneficial holder of 50% of the equity capital of Bay Street Holdings Limited (C 12058) which owns, manages, and operates the Bay Street Entertainment Complex in Paceville, St Julians. The Bay Street Entertainment Complex has today evolved into an entertainment hub with more than 70 retail outlets, restaurants, a language school, a 4-star hotel and a 5-star hotel.

Paul Attard: Paul Attard started working as a property consultant with several leading estate agencies in Malta. Paul Attard is a founding member and a director of GAP Holdings Limited (C 27803), which was involved in various development projects, and is the director of sales and marketing of the Group. Today, Mr Attard is a shareholder and director of various property development companies and together with his partners, developed a considerable portfolio of residential and commercial developments at prices which service all sectors of the market.

Mr Attard is a director and the sole ultimate beneficial holder of Katari Holdings Limited (C 70860) which owns, manages, and operates Golden Care Home for the elderly in Naxxar. Golden Care Home is a nursing home with 235 beds, which caters for the care and residential living of the elderly in the community.

Adrian Muscat: Adrian Muscat began his career as a property consultant before moving on to project management. As a founding member and director of Gap Holdings Limited (C 27803), Adrian Muscat has led the project team responsible for on-site management of the projects undertaken by Gap Group since 2001. During the past 19 years, he has been involved in several property development projects relating to the development of residential units in Malta and Gozo.

Adrian Muscat is a director and the sole ultimate beneficial holder of Juel Holdings Limited (C 92861) which owns, manages, and operates a portfolio of properties across the island.

Francis X. Gouder: Francis X. Gouder began his career at Barclays Bank DCO (later Mid-Med Bank and HSBC Bank Malta p.l.c.). For a short period of time, he was seconded to Lohombus Corporation. At HSBC Bank Malta p.l.c., Mr Gouder was responsible for the efficient running of all HSBC branches forming part of southern Malta. In May 2009, Mr Gouder joined Banif Bank Malta p.l.c. as consultant to the executive committee and head of executive banking. Francis X. Gouder presently holds several non-executive directorships on listed entities.

Mark Castillo: Mark Castillo served as a non-executive director on the board of directors of Gap Developments p.l.c. between 2006 and 2011, and of GAP Group p.l.c. since 2016, after a career in international banking spanning more than 45 years, which included high profile positions in Malta and Canada with major banks such as Barclays Bank, Mid-Med Bank, Banco Central Hispano, Bank of Valletta, and Sparkasse Bank Malta.

Chris Cilia: Chris Cilia graduated as a Doctor of Laws from the University in Malta and has been practicing for the past 26 years. He has served as deputy chairman of the Malta Gaming Authority and as chairman of the audit committee of the same authority and currently serves as deputy chairman of Indis Malta Ltd (C 28965).

As at the date of this Prospectus, the board of directors of each of GQM and GQL are comprised of George Muscat, Paul Attard and Adrian Muscat (management expertise and experience is set out above).

8.2 Conflict of Interest

As at the date of this Registration Document, each of George Muscat, Paul Attard and Adrian Muscat are officers of several companies within the Group, and as such are susceptible to conflicts between the potentially diverging interests of the different members of the Group. George Muscat, Paul Attard and Adrian Muscat are directors of the Issuer, its parent company Gap Group Investments II Limited (C 75856), GQM and GGCL. Accordingly, conflicts of interest could potentially arise in relation to transactions involving the Issuer, each of the Guarantors and GGCL as the main contractor for the Mosta Development, the Qawra II Development and the Qawra III Development.

Other than those disclosed above, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Issuer.

8.3 Management Structure

8.3.1 General

The Issuer itself has no employees and is managed directly by its Directors. Each Subsidiary has several management personnel and other employees devoted to managing each development project undertaken by that Subsidiary. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Group company; those services are then re-charged to the Group company where they are from time to time deployed.

The Directors believe that the current organisational structure is adequate for the present activities of the Group. The Directors shall maintain this structure under continuous review to ensure that it meets the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

8.3.2 Committees

The Board has not appointed any committees other than the audit committee which is mandatorily required in terms of the Capital Markets Rules.

The terms of reference of the audit committee consists of, *inter alia*, its support to the Board in its responsibilities in dealing with issues of financial reporting; risk; control and governance; and associated assurance. The Board has set formal terms of establishment and the terms of reference of the audit committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes with which it is required to comply. The audit committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Briefly, the audit committee is expected to deal with and advise the Board on the following matters on a Group-wide basis: its monitoring responsibility over the financial reporting processes, financial policies, and internal control structures; maintaining communications on such matters between the Board, management, and the independent auditors; and preserving the Group's assets by understanding the risk environment and determining how to deal with those risks.

In addition, the audit committee also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Issuer or each of the Guarantors and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Issuer or each of the Guarantors, as the case may be.

All Directors sitting on the audit committee are independent non-executive directors. Francis X. Gouder acts as chairperson, whilst Mark Castillo and Chris Cilia act as members. Francis X. Gouder, as independent non-executive director, is competent in accounting and auditing matters, having previously served in various senior positions in a financial institution.

Pursuant to its terms of reference, the audit committee has a remit that covers the Guarantors, separately from the Issuer.

9. MAJOR SHAREHOLDERS

The Issuer's majority shareholder is Gap Group Investments II Limited (C 75856), which is the holder of 99.99% of the issued share capital of the Issuer. Paul Attard, Adrian Muscat and George Muscat, the Directors of the Issuer, hold the remainder of the shares collectively between them. Paul Attard and Adrian Muscat each hold one ordinary share in the issued share capital of the Issuer whereas George Muscat holds two ordinary shares in the issued share capital of the Issuer. In accordance with the Code of Principles for Good Corporate Governance, the Issuer adopts measures to ensure that the relationship with its shareholders and the three individual Directors (Paul Attard, Adrian Muscat and George Muscat), who are the ultimate beneficial owners of all the shares in the Issuer, is retained at arm's length, including adherence to Rules on Related Party Transactions requiring the sanction of the audit committee, in which the majority is constituted by independent non-executive directors, of which one shall also act as chairman.

There are no arrangements known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

10. LEGAL AND ARBITRATION PROCEEDINGS

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Issuer is aware) during the period covering 12 months prior to the date of the Prospectus which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

There has been no significant change in the financial performance of the Group since 30 June 2021 (being the date of the last financial period for which financial information has been published) to the date of the Prospectus.

11. REGULATORY DISCLOSURES

There is no information that has been disclosed under the Market Abuse Regulation over the last 12 months which is relevant as at the date of the Prospectus.

12. MATERIAL CONTRACTS

The entities forming part of the Group have not entered into any material contracts that are not in the ordinary course of their respective business and which could result in either of the said entities being under an obligation or entitlement that is material to their ability to meet their obligations to security holders in terms of the Prospectus.

13. PROPERTY VALUATION REPORTS

The Issuer commissioned architects Colin Zammit and Tancred Mifsud to issue three property valuation reports as detailed hereunder:

Colin Zammit issued the property valuation report in relation to the Mosta Development and Tancred Mifsud issued the property valuation report in relation to the Qawra II Development, the Qawra III Development and Portion B of Qawra Site III.

The following are the details of Colin Zammit:

Business Address: 80, Triq it-Torri, Mosta MST 3502
Qualifications: B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech

The following are the details of Tancred Mifsud:

Business Address: Ralmant, Flat No. 1, B. Bontadini Street, Balzan, BZN 1370
Qualifications: B.E.&A. (Hons) A.&C.E.

Capital Markets Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus. The valuation reports are dated:

- (i) 29 October 2021 with respect to the Mosta Development;
- (ii) 29 October 2021 with respect to the Qawra II Development; and
- (iii) 29 October 2021 with respect to Qawra III Development and Portion B of Qawra Site III.

The valuation reports are accessible on the Issuer's website at the following hyperlink: <https://gap.com.mt/investor-relations/> and are deemed to be incorporated by reference in this Prospectus.

14. STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the property valuation reports incorporated by reference in this Prospectus and the financial analysis summary, the Prospectus does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which they appear with the authorisation of MZI of 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein. The author of the Financial Analysis Summary is Mr. Evan Mohnani, Senior Financial Advisor at MZI. MZI does not have any material interest in the Issuer.

The property valuations have been included in the form and context in which they appear with the authorisation of Arch. Colin Zammit of Maniera Group and Arch. Tancred Mifsud of Tancred Mifsud Services Limited (C 37957) who have both given and have not withdrawn their consent to the inclusion of the reports herein. Architects Colin Zammit and Tancred Mifsud do not have any material interest in the Issuer.

The Issuer confirms that the financial analysis summary and the property valuation reports have been accurately reproduced in the Prospectus and as far as the Issuer is aware and is able to ascertain from the information contained therein, no facts have been omitted which render the reproduced information inaccurate or misleading.

15. DOCUMENTS AVAILABLE FOR INSPECTION AND INCORPORATED BY REFERENCE

For the duration of the Registration Document, the following documents are incorporated by reference:

- (a) the audited consolidated financial statements of the Issuer for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (b) the unaudited interim financial statements of the Issuer for the six-month period ended 30 June 2021;
- (c) the unaudited interim financial statements of GQM for the six-month period ended 30 June 2021;
- (d) the property valuation reports of the Mosta Development, the Qawra II Development, the Qawra III Development and Portion B of Qawra Site III; and
- (e) the financial analysis summary prepared by MZI.

The documents so incorporated by reference are available on the following hyperlink: <https://gap.com.mt/investor-relations/>

The following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

- i. Memorandum and Articles of Association of the Issuer and each of the Guarantors; and
- ii. The letter of confirmation drawn up by Deloitte Services Limited.

16. CROSS-REFERENCE LIST OF DOCUMENTS INCORPORATED BY REFERENCE

The following table of cross-references sets out specific items set out in the documents below which are incorporated by reference:

- i. the audited consolidated financial statements of the Issuer for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- ii. the unaudited interim financial statements of the Issuer for the six-month period ended 30 June 2021;
- iii. the unaudited interim financial statements of GQM for the six-month period ended 30 June 2021.

GAP GROUP P.L.C.	Page number in Annual Report	Page number in Annual Report	Page number in Annual Report	Page number in the Interim Financial Statements
Information incorporated by reference in this Registration Document	Financial year ended 31 Dec 2018	Financial year ended 31 Dec 2019	Financial year ended 31 Dec 2020	Interim financial information for the six months ended 30 June 2021
Income Statement	13	14	14	5
Statement of Financial Position	14-15	15-16	15-16	6-7
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Notes to the Financial Statements	18-44	19-45	19-45	10-12
Independent Auditor's Report	8-12	9-13	9-13	N/A

GQM - unaudited interim financial statements of GQM for the six-month period ended 30 June 2021

	Page Number
Income Statement	1
Statement of Financial Position	2
Statement of Cash Flows	N/A
Notes to the Financial Statements	N/A
Independent Auditor's Report	N/A

SECURITIES NOTE

DATED 6 DECEMBER 2021

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules published by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.

This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an Issue of:
up to €21,000,000 3.90% Secured Bonds 2024-2026
of a nominal value of €100 per Secured Bond issued at par
(the "Secured Bonds")*

by



GAP GROUP P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 75875

with the joint and several Guarantees** of
GAP QM LIMITED (C 96686)
and
GAP QAWRA LIMITED (C 100513)

ISIN: MT0001231233

* Prospective investors are referred to section 6.2.2 and section 6.2.3 for a description of the Collateral.

** Prospective investors are referred to section 6.3 for a description of the Guarantees.

Legal Counsel
to the Sponsor, Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Legal Counsel
to the Issuer

Dr Chris Cilia

Security Trustee

EQUINOX INTERNATIONAL
LIMITED

Sponsor, Manager & Registrar



MZ INVESTMENT SERVICES

THIS SECURITIES NOTE HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS ONLY APPROVED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID SECURITIES AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS. THIS SECURITIES NOTE HAS BEEN DRAWN UP AS PART OF A SIMPLIFIED PROSPECTUS IN ACCORDANCE WITH ARTICLE 14 OF THE PROSPECTUS REGULATION.

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER, FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SECURITIES.

THESE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE SECURITIES UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND (III) SUCH PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE SECURITIES. INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES SUBJECT OF THIS SECURITIES NOTE.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR. A PROSPECTIVE INVESTOR SHOULD MAKE HIS OR HER OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES SUBJECT OF THIS SECURITIES NOTE.

APPROVED BY BOARD OF THE DIRECTORS

George Muscat

Paul Attard

signing in their own capacity as directors of the Issuer and on behalf of each of
Mark Castillo, Chris Cilia, Francis X Gouder and Adrian Muscat as their duly appointed agents.

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1 IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY GAP GROUP PLC (THE “ISSUER”) OF UP TO €21,000,000 SECURED BONDS 2024-2026 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.9% PER ANNUM PAYABLE ANNUALLY ON 30 DECEMBER OF EACH YEAR. THE NOMINAL VALUE OF THE SECURED BONDS SHALL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE OR A DESIGNATED EARLY REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE “SECURED BONDS”).

THIS SECURITIES NOTE SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE SECURED BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE SECURED BONDS OR A DESIGNATED REDEMPTION DATE, AS APPLICABLE, UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE. NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURED BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS SECURITIES NOTE AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY SECURITIES MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS SECURITIES NOTE IS VALID FOR A PERIOD OF TWELVE (12) MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THE SECURITIES NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. IT IS THE RESPONSIBILITY OF PERSONS WHO HAVE POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

THE SECURED BONDS HAVE NOT BEEN, NOR WILL THEY BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933, AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE, THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYELAWS AND HAS BEEN DULY FILED WITH THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE COMPANIES ACT.

STATEMENTS MADE IN THIS PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING “ADVISORS” IN SECTION 3.3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

UNLESS INCORPORATED BY REFERENCE IN THIS SECURITIES NOTE, THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS AND NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITE AS THE BASIS FOR A DECISION TO INVEST IN THE SECURITIES.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE SECURITIES.

2 DEFINITIONS

Words, expressions, and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

2020 Bondholders	the holders of the 2020 Bonds whose name and other details are registered from time to time in the register of 2020 Bondholders maintained at the CSD;
Admission	admission of the Secured Bonds to the Official List and to trading on the main market for listed securities of the MSE becoming effective in accordance with the Capital Markets Rules and the MSE Bye-Laws;
Applicant/s	a person or persons who subscribes for the Secured Bonds;
Application/s	the application to subscribe for Secured Bonds made by an Applicant by completing an Application Form and delivering same to an Authorised Financial Intermediary during the Offer Period;
Application Form	the form of application of subscription for Secured Bonds, a specimen of which is contained in Annex I of this Securities Note;
Appropriateness Test	shall have the meaning set out in section 8.3.24 of this Securities Note;
Authorised Financial Intermediaries	the financial intermediaries whose details appear in Annex III to this Securities Note;
Bond Issue or Offer	the issue of the Secured Bonds;
Bondholder	a holder of Secured Bonds whose name and other details are registered from time to time in the register of Bondholders maintained at the CSD;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Civil Code	the Civil Code (Chapter 16 of the laws of Malta);
Collateral or Security Interests	means, collectively, the following security interests to be constituted in favour of the Trustee: (i) the third ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the Issuer; (ii) the second ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQM; (iii) the first ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQL; (iv) the second ranking special hypothec granted by the GQM the full nominal value of the Secured Bonds over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon); (v) the first ranking special hypothec for the full nominal value of the Secured Bonds and interest thereon over Qawra Site III (and any developments and constructions thereon) and the first ranking special privilege granted by GQL over Qawra Site III (and any developments and constructions thereon) for the amount of €8 million; and (vi) the Pledge Agreements;
CSD	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
Cut-Off Date	the 26 November 2021;
Designated Early Redemption Dates	any date falling between 30 December 2024 and 29 December 2026, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Secured Bonds and all interests accrued up to the date of prepayment, by giving not less than 30 days' notice to the Bondholders and "Early Redemption" shall be construed accordingly;
Exchangeable Bond Transfer	the subscription of Secured Bonds by Existing Bondholders whereby Existing Bondholders are allocated Secured Bonds in exchange for Existing Bonds as detailed in section 8.3 of this Securities Note;
Existing Bondholders	the holders of the Existing Bonds registered as bondholders in the register of bondholders of the CSD as at the Cut-Off Date;
Existing Bonds	the 4.25% secured bonds 2023 issued by the Issuer pursuant to a prospectus dated 16 September 2016, amounting as at the date of the Prospectus to €19,247,300 and carrying ISIN MT0001231209;
Guarantees	the: (i) subordinated joint and several guarantee granted by GQM to the Security Trustee appended to the Securities Note as Annex II hereto; (ii) the joint and several guarantee granted by GQL to the Security Trustee appended to the Securities Note as Annex III hereto;
Guarantors	collectively, GQM and GQL;

Hypothecated Property	the immovable property described hereunder, namely: (i) Mosta Site (and any developments and constructions thereon); (ii) Qawra Site II (and any developments and constructions thereon); and (iii) Qawra Site III (and any developments and constructions thereon);
Interest Payment Date	30 December of each year between and including each of the years 2022 and the year 2026, provided that if any such day is not a Business Day such Interest Payment Date shall be carried over to the next following day that is a Business Day;
Issue Date	expected on 24 January 2022;
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast);
Offer Period	the period between 08:30 hours on 10 December 2021 and 14:00 hours on 5 January 2022 during which the Secured Bonds are on offer to Existing Bondholders;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Placement Agreements	the placement agreements to be entered into by the Issuer and a number of Authorised Financial Intermediaries, as further detailed in section 8.5 of this Securities Note;
Placement Date	on 7 January 2022;
Pledge Agreements or Pledges	collectively, the: (i) pledge agreement to be entered into by and between GQL, the Issuer, and the Security Trustee for the purpose of constituting a pledge on insurance policy proceeds as security for the full nominal value of the Secured Bonds and interest thereon; and (ii) pledge agreement entered into by and between GQM, the Issuer and the 2020 security trustee dated 20 November 2020 as amended to additionally secure the full nominal value of the Secured Bonds and interest thereon and to provide for the enforcement proceeds of the said pledge to rank and be applied as follows: a. first, in favour of the 2020 Bondholders; b. second, in favour of the Bondholders;
Redemption Date	30 December 2026;
Redemption Value	the nominal value of each secured Bond (€100 per Secured Bond);
Registration Document	the registration document issued by the Issuer dated 6 December 2021, forming part of the Prospectus;
Reserve Account	the reserve account maintained by the Security Trustee for the benefit of the Bondholders;
Secured Bond/s	up to €21,000,000 Secured Bonds of a nominal value of €100, redeemable at the Redemption Value on the Redemption Date or a Designated Early Redemption Date, bearing interest at the rate of 3.90% per annum on the nominal value of the Secured Bond, as detailed in this Securities Note;
Securities Note	this document in its entirety;
Suitability Test	shall have the meaning assigned to it in section 8.3.24 of this Securities Note;
Terms and Conditions	the terms and conditions of the Secured Bonds set out in sections 5.5 and 6 of this Securities Note; and
Trust Deed	the trust deed signed by and between the Issuer, Guarantors and the Security Trustee dated 6 December 2021.

Unless it appears otherwise from the context:

- (i) words importing the singular shall include the plural and *vice-versa*;
- (ii) words importing the masculine gender shall also include the feminine gender and *vice-versa*; and
- (iii) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

3 RISK FACTORS

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

AN INVESTMENT IN THE SECURED BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE SECURED BONDS. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE, AT THE DATE OF THIS SECURITIES NOTE, THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT A RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER AND ITS SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE SECURED BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION; OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY SECURED BONDS, SHOULD PURCHASE ANY SECURED BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

3.1 FORWARD LOOKING STATEMENTS

This Securities Note contains statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, such as the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. Forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus, and documents incorporated therein by reference, and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer’s and, or the Group’s strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects, the markets in which it operates and general market conditions. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer’s and, or the Group’s actual results of operations, financial condition, liquidity, and the development of its business may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition, and, or liquidity of the Issuer and, or the Group are consistent with the forward-looking statements contained in the Prospectus, those results, or developments may not be indicative of results or developments in subsequent periods.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risks set out in this section and in the section entitled “**Risk Factors**” in the Registration Document, for a review of the factors that could affect the Issuer’s performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

3.2 RISKS RELATING TO THE SECURED BONDS

3.2.1 *Risks Relating to the Secured Bonds*

3.2.1.1 *Complex financial instrument and suitability assessment*

Debt instruments which may be redeemed by an issuer prior to their maturity date are considered as having an embedded call option, with the price of the bonds taking these components into account. The Secured Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of this early redemption component, the Secured Bonds are complex financial instruments for the purposes of MIFID II. Investors must consult with an independent investment advisor before investing in the Secured Bonds. In particular, investors should consult with an independent investment advisor with a view to ascertaining that each prospective investor: (a) has sufficient knowledge and experience to make a meaningful evaluation of the Secured Bonds, the merits and risks of investing in the Secured Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement; (b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Secured Bonds, including where the currency for principal or interest payments is different from the prospective investor’s currency and that the Secured Bonds meet the investment objectives of the prospective investor; (c) understands thoroughly the terms of the Secured Bonds; and (d) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Secured Bonds, and the inherent risks associated with the Group’s business.

3.2.1.2 *The Secured Bonds are redeemable at the option of the Issuer*

Any or all of the Secured Bonds may be redeemed by the Issuer on a Designated Early Redemption Date. Once the Secured Bonds are redeemed, the relevant Bondholders shall no longer be entitled to any interest or other rights in relation to those Secured Bonds. If the Secured Bonds are redeemed on a Designated Early Redemption Date, a Bondholder would not receive the same return on investment that it would have received if the Secured Bonds were redeemed on the Redemption Date. In addition, Bondholders may not be able to re-invest the proceeds from an early redemption at yields that would have been received had they not been redeemed. This optional redemption feature may also have a negative impact on the market value of the Secured Bonds.

3.2.1.3 *Ranking of the collateral granted by the Issuer*

In terms of Maltese law, hypothecary debts are paid according to the order of registration in the Public Registry in Malta. The Issuer shall secure its obligations under the Bond Issue by virtue of, *inter alia*, a third-ranking general hypothec over all its assets, present and future. A first-ranking general hypothec over the Issuer’s assets, present and future, was constituted in favour of the security trustee of the 2019 Bonds and a second-ranking general hypothec over the Issuer’s assets, present and future, was constituted in favour of the security trustee of the 2020 Bonds. Accordingly, should the Issuer default under its obligations of the Bond Issue or under the terms of the bond issue of the 2019 Bonds and, or the 2020 Bonds, the security trustee of the 2019 Bonds and the security trustee of the 2020 Bonds shall be paid out of the assets of the Issuer in priority to the Security Trustee. Moreover, a first-ranking special hypothec was constituted over

each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) in favour of the security trustee of the 2020 Bonds and a first ranking special privilege for the amount of €21 million, each of which rank in priority to the second ranking special hypothec to be constituted over the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) in favour of Security Trustee. Accordingly, should the Issuer default under its obligations of the Bond Issue and, or under the terms of the bond issue of the 2020 Bonds, the security trustee of the 2020 Bonds shall be paid out of the enforcement proceeds from the sale of the Mosta Site (and any developments and constructions thereon) and, or the Qawra Site II (and any developments and constructions thereon) in priority to the Security Trustee, up to the amount so secured under the special hypothecs and special privilege from which the security trustee of the 2020 Bonds benefits from.

The rights of the Security Trustee under the Collateral are also subject to the rights of privileged creditors who will rank with priority over hypothecary debts. The ranking of collateral has a bearing on the success of a creditor to get paid should the Issuer not have sufficient assets to pay all its creditors. The Security Trustee will be paid out of the assets of the Issuer after privileged creditors and first-ranking creditors. Accordingly, in the case of a competition of creditors, Bondholders may not recover their investment in the Secured Bonds, whether in full or in part.

3.2.1.4 No prior market for the Secured Bonds

Prior to the Bond Issue and Admission, there has been no public market for the Secured Bonds within or outside Malta. Due to the absence of any prior market for the Secured Bonds, there can be no assurance that the price of the Secured Bonds will correspond to the price at which the Secured Bonds will trade in the market subsequent to the Bond Issue. The market price of the Secured Bonds could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified in section 2.2 of the Registration Document.

3.2.1.5 Orderly and liquid secondary market

The existence of an orderly and liquid market for the Secured Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Secured Bonds at any given time and the general economic conditions in the market in which the Secured Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Secured Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to trade in the Secured Bonds at all.

3.2.1.6 Future public offers

No prediction can be made about the effect which any future public offerings of the Issuer's securities (including but not limited to the effects arising out of a change in the cash flow requirements of the Issuer or other commitments of the Issuer vis-à-vis the new security holders), or any takeover or merger activity involving the Issuer (including but not limited to a delisting, in full or in part, of the Secured Bonds), will have on the market price of the Secured Bonds prevailing from time to time.

3.2.1.7 Interest rate

Investment in the Secured Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Secured Bonds.

3.2.1.8 Currency of reference

A Bondholder shall bear the risk of any adverse fluctuations in exchange rates between the currency of denomination of the Secured Bonds (Euro) and the Bondholder's currency of reference, if different. Such adverse fluctuations may impair the return of investment of the Bondholder in real terms after taking into account the relevant exchange rate.

3.2.1.9 Changes in law

The Terms and Conditions of the Secured Bonds are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

3.2.1.10 Amendments to the Terms and Conditions of the Secured Bonds

In the event that the Issuer wishes to amend any of the Terms and Conditions of the Secured Bonds it may call a meeting of Bondholders in accordance with the provisions of section 6.14 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

3.2.2 Risks relating to the Guarantors and the Collateral

3.2.2.1 Risks relating to the business of the Guarantors

The risk factors contained in section 2.2.2. of the Registration Document entitled "**Risks relating to the property sector**" apply to the business of the Guarantors. If any of the risks mentioned in section 2.2.2 of the Registration Document were to materialise, they could have a material adverse effect on the ability of the Guarantors to satisfy their respective obligations under the Guarantees.

3.2.2.2 Risks relating to the Guarantee and the collateral granted by the Guarantors

The Secured Bonds are being guaranteed by the Guarantors on a joint and several basis. Accordingly, the Security Trustee, for the benefit of the Bondholders, shall be entitled to request the Guarantors to pay both the interest due and the principal amount under the said Secured Bonds on first demand (subject to the terms of the Guarantees) if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantees also entitles the Security Trustee to take action against the Guarantors without having to first take action against the Issuer.

The strength of the undertakings given under the Guarantees and, accordingly, the level of recoverability by the Security Trustee from the Guarantors of any amounts due under any of the Secured Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantors. The Guarantees will be further supported by a second ranking special hypothec over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and a first-ranking special hypothec over Qawra Site III (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and interest thereon. There can be no guarantee that the value of the Hypothecated Property over the term of the Secured Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Secured Bonds. This may be caused by a number of factors, including but not limited to, general economic factors that could have an adverse impact on the value of the Hypothecated Property. If such circumstances were to arise or subsist at the time that the Security Interests are to be enforced by the Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Secured Bonds.

In addition to the aforesaid, the valuations of the Hypothecated Property so prepared by an independent qualified architect contain 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 at the time of enforcement of the security interests over the Hypothecated Property.

3.2.2.3 Ranking of security interests granted by the Guarantors

The security interests to be constituted by the Guarantors in favour of the Security Trustee shall rank after the claims of privileged creditors should a note of inscription of a special privilege be registered with the Public Registry securing the privileged creditor's claim. Privileged creditors include, but are not limited to, architects, contractors, masons, and other workmen, over an immovable constructed, reconstructed or repair for the debts due to them in respect of the expenses and the price of their work. GGCL, as the contractor responsible for the development of the Mosta Development, the Qawra II Development and the Qawra III Development, has waived its right to the registration of a special privilege with the Public Registry in Malta and has further undertaken to use best efforts to ensure that any of its sub-contractors will waive their right to a special privilege. However, over the course of their business, the Guarantors may contract debts with other privileged creditors. In such case, privileged creditors will rank with preference to the Security Trustee in whose favour the general hypothecs and special hypothecs shall be constituted.

3.2.2.4 Subordination of the guarantee granted by GQM in favour of the Security Trustee

The guarantee granted by GQM to the Security Trustee is subordinated to the rights of the security trustee of the 2020 Bonds under the corporate guarantee granted in its favour. For the purposes of the said subordination, the Security Trustee agreed (i) not to enforce its rights until the earlier of the redemption of the 2020 Bonds; and (ii) the payment of the full amount outstanding under the 2020 Bonds to the 2020 Bondholders. As a result of this subordination, the Security Trustee's right to claim under the guarantee granted by GQM in its favour will be postponed until such time as all amounts under the 2020 Bonds are paid in full to the 2020 Bondholders.

3.2.2.5 Risks relating to the receipt of proceeds pertaining to the Qawra II Development and the Mosta Development

In view of the second-ranking of the special hypothecs registered over Qawra Site II (and any developments and constructions thereon) and the Mosta Site (and any developments and constructions thereon) securing the Secured Bonds, as detailed in section 5.8.1 of this Securities Note, the terms of the Trust Deed provide that the Security Trustee shall only be entitled to receive a percentage of the Projected Sales Price after the security trustee of the 2020 Bonds receives €21 million in the reserve account it maintains for the benefit of the 2020 Bondholders. In the event that there is a slowdown in sales of any unit / garage / car space forming part of the Qawra II Development and the Mosta Development, this may adversely impact the ability of the Security Trustee to credit the Reserve Account with the total amount outstanding under the Secured Bonds which in turn may have a material adverse effect on the Bondholders.

3.2.3 Risk relating to funding from other sources

3.2.3.1 Risks relating to the Group's ability to secure sufficient project financing

GQL requires the amount of €8 million to acquire Qawra Site III. It also requires the amount of €4.3 million to develop and complete the Qawra III Development which is expected to be completed by Q2 2023. The amount of €1 million shall be financed from the proceeds received from the Bond Issue, whilst the remaining balance of €3.3 million shall be financed from the Group's cash flows. There is no certainty that the Group shall be able to obtain the full capital it requires for the completion of the Qawra III Development. Accordingly, the Bondholders are subject to the risk that the completion of the Qawra III Development may be stalled and, or, suspended until the necessary financing is obtained, if at all.

4 PERSONS RESPONSIBLE

This document includes information given in compliance with the Prospectus Regulation for the purpose of providing prospective investors with information with regards to the Issuer. All of the Directors of the Issuer, whose names appear under the sub-heading entitled “Directors” under the heading entitled “**Directors, Senior Management, Advisors and Auditors**” in section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors of the Issuer accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Issuer, and the Directors take sole responsibility for all such representations and statements. The Sponsor, Manager and Registrar, and the Issuer’s Advisors have advised and assisted the Issuer in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

4.1 CONSENT FOR USE OF THE PROSPECTUS

Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:

For the purposes of any subscription for Secured Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of the Secured Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement or other offering of Secured Bonds, provided this is limited only:

- (i) in respect of Secured Bonds subscribed for through the Authorised Financial Intermediaries during the Offer Period;
- (ii) to any resale or placement of Secured Bonds subscribed for as aforesaid, taking place in Malta; and
- (iii) to any resale or placement of Secured Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

None of the Issuer, the Sponsor, Manager and Registrar or any of their respective advisers take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of the Secured Bonds.

Other than as set out above, neither the Issuer nor the Sponsor, Manager and Registrar has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Secured Bonds by any person in any circumstance. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor, Manager and Registrar and neither the Issuer nor the Sponsor, Manager and Registrar has any responsibility or liability for the actions of any person making such offers.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor, Manager and Registrar. The Issuer does not accept responsibility for any information not contained in this Prospectus.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and, or who is responsible for its contents, it should obtain legal advice.

In the event of a resale, placement or other offering of Secured Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall provide investors with information on the terms and conditions of the resale, placement, or other offering at the time such is made.

Any resale, placement, or other offering of Secured Bonds to an investor by an Authorised Financial Intermediary shall be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations, and settlement arrangements. Where such information is not contained in the Prospectus, it shall be the responsibility of the respective Authorised Financial Intermediary at the time of such resale, placement, or other offering to provide the investor with that information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement, or other offering of Secured Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement, or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to Authorised Financial Intermediaries unknown at the time of approval of this Securities Note shall be made available through a company announcement which shall also be made available on the Issuer’s website: www.gap.com.mt

5 ESSENTIAL INFORMATION

5.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €20.6 million shall be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (a) €8 million shall be used for the acquisition of Qawra Site III by GQL;
- (b) €11.6 million shall be used to finance costs required to develop and complete the Qawra II Development and the Mosta Development, which development and completion works are approved by planning permits issued by the Planning Authority and which planning permits so issued are described in the property valuations incorporated by reference in this Prospectus. The amount of €11.6 million shall be released in a corresponding value contained in an architect's confirmation of value of works; and
- (c) the amount of €1 million shall be utilised by GQL towards development costs of the Qawra III Development as approved by planning permits issued by the Planning Authority and which planning permits are described in the property valuations incorporated by reference in this Prospectus. The amount of €1 million shall be released in a corresponding value contained in an architect's confirmation of value of works.

The Issuer has established a minimum aggregate subscription amount of €8 million on which the Bond Issue is conditional. In the event that the Bond Issue is not fully taken up, but the said minimum is satisfied or exceeded, the Issuer shall issue Secured Bonds up to the amount subscribed for. Should the Bond Issue not be fully subscribed to, the proceeds from the Bond Issue shall first be utilised for the purposes set out in section 5.1(a) above. Any remaining balance shall be utilised for the purposes set out in section 5.1(b) and (c) in the order of priority in which they appear.

Following the Bond Issue, all proceeds shall be held by the Security Trustee. The Security Trustee shall, save for the payment of the expenses related to the Bond Issue, retain all remaining Secured Bond proceeds until the Secured Bonds are admitted to the Official List of the Malta Stock Exchange. It is expected that within 15 Business Days following listing of the Secured Bonds:

- (i) the Issuer, GQL and the Security Trustee shall appear on a deed of sale and purchase for the sale and transfer of Qawra Site III to GQL. Simultaneously with the entry into of the deed of sale and purchase, each of the Issuer and Guarantors shall appear on a public deed with the Security Trustee to grant and constitute in favour of the Security Trustee the Collateral over their respective assets; and
- (ii) the Guarantors and the Security Trustee shall enter into the Pledge Agreements.

The Issuer has entered into the following intra-group loan agreements with the Guarantors, as follows:

- (i) An intra-group loan agreement with GQM pursuant to which it shall advance the amount of €11.6 million to GQM for the purposes of the development and completion of the Qawra II Development and the Mosta Development; and
- (ii) An intra-group loan agreement with GQL pursuant to which it shall advance the amount of €8 million to GQL for the acquisition of Qawra Site III and €1 million for costs required to develop the Qawra III Development.

The obligation of the Issuer to advance the said funds to the Guarantors is conditional upon, *inter alia*, the admission of the Secured Bonds on the Official List.

5.2 DYNAMICS FOR CLOSING

The Security Trustee shall release the net proceeds from the issue of the Secured Bonds which are expected to amount to €20.6 million as follows:

- (i) the amount of €7.5 million shall be released to the vendors of Qawra Site III on the deed of sale. The Security Trustee shall appear on the said deed of sale pursuant to a delegation of authority granted by GQL in its favour to pay the purchase price of Qawra Site III to the vendors. The remaining amount of €500,000 shall be utilised to pay stamp duty and notarial fees and shall be released to the notary public responsible for such purpose. Simultaneously upon the entry into this deed of sale of the Qawra Site III, each of the Issuer and Guarantors shall appear on a public deed with the Security Trustee to grant and constitute in favour of the Security Trustee the Collateral over their respective assets;
- (ii) following the due perfection of the Collateral, the balance of €11.6 million shall be released to GQM for purpose set out in section 5.1(b) above; and
- (iii) following the purchase of Qawra Site III as set out in point (i) above, the amount of €1 million shall be released to GQL for the purpose set out in section 5.1(c) above.

5.3 FUNDING FROM OTHER SOURCES

5.3.1 Qawra II Development and Mosta Development

GQM requires approximately €16.7 million to develop and complete the Mosta Development and the Qawra II Development. From the net proceeds received from the 2020 Bonds, the Issuer shall utilise approximately €3.8 million of same to commence development works on the Mosta Development and the Qawra II Development. The remaining balance of approximately €13 million required for the completion of the Mosta Development and the Qawra II Development shall be funded as follows: (i) €11.6 million from the net proceeds of the Bond Issue to be received by the Issuer shall be on-lent to GQM; and (ii) the remaining balance of €1.3 million shall be funded from the gradual sales of the units forming part of the Mosta Development and the Qawra II Development.

5.3.2 Qawra III Development

GQL requires €4.3 million for the completion and development of the Qawra III Development. It expects to finance this amount as follows: (i) €1 million from the net proceeds of the Bond Issue to be received by the Issuer shall be on-lent to GQL; and (ii) the remaining balance of €3.3 million will be financed from the Group's cash flows.

5.4 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €400,000. There is no particular order of priority with respect to such expenses.

5.5 ISSUE STATISTICS

Amount:	up to €21,000,000;
Form:	the Secured Bonds shall be issued in fully registered and dematerialised form and shall be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0001231233;
Minimum amount per subscription:	minimum of €2,000 and multiples of €100 thereafter;
Minimum amount per Placement Agreement:	minimum of €2,000 and multiples of €100 thereafter, applicable to each underlying Applicant applying for the Secured Bonds through Authorised Financial Intermediaries in terms of the Placement Agreements;
Redemption Date:	30 December 2026 or on the Designated Early Redemption Date;
Designated Early Redemption Date:	any date falling between 30 December 2024 and 29 December 2026, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Secured Bonds and all interests accrued up to the date of prepayment, by giving not less than 30 days' notice to the Bondholders and "Early Redemption" shall be construed accordingly;
Plan of Distribution:	the Secured Bonds are open for subscription by: (i) Existing Bondholders; and (ii) Authorised Financial Intermediaries (either for their own account or for the account of their underlying customers) pursuant to the Placement Agreements;
Bond Issue Price:	at par (€100 per Secured Bond);
Status of the Bonds:	the Secured Bonds shall constitute general, direct, secured, and unconditional obligations of the Issuer, to be secured in the manner described in section 6.2.2, guaranteed by the Guarantors and shall at all times rank <i>pari passu</i> and without any preference among themselves;
Guarantees:	(i) collectively, the joint and several subordinated guarantee dated 6 December 2021 granted by GQM as security for the punctual performance of the Issuer's payment obligations under the Bond Issue; and (ii) the joint and several guarantee dated 6 December 2021 granted by GQL as security for the punctual performance of the Issuer's payment obligations under the Bond Issue;
Status of the Guarantees:	the Guarantee granted by GQM shall constitute a direct, secured, and unconditional obligation of GQM, subordinated in favour of the guarantee granted in favour of the security trustee of the 2020 Bondholders. The Guarantee granted by GQL shall constitute a direct, secured, and unconditional obligation of GQL;
Collateral:	means, collectively, the following security interests to be constituted in favour of the Security Trustee: (i) the third-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the Issuer; (ii) the second-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the GQM; (iii) the first-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQL; (iv) the second ranking special hypothec granted by GQM for the full nominal value of the Secured Bonds over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon); (v) the first-ranking special hypothec for the full nominal value of the Secured Bonds and interest thereon over Qawra Site III (and any developments and constructions thereon) and the first ranking special privilege granted by GQL over Qawra Site III (and any developments and constructions thereon) for the amount of €8 million; and (vi) the Pledge Agreements;

Listing:	the Malta Financial Services Authority has approved the Secured Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Secured Bonds to be listed and traded on its Official List;
Allocation:	up to the amount of €19,247,300 in Secured Bonds are open for subscription during the Offer Period exclusively by Existing Bondholders applying for Secured Bonds by Exchangeable Bond Transfer, by submitting an Application Form to an Authorised Financial Intermediary, up to the number of Existing Bonds held by them as at the Cut-Off Date. Existing Bondholders may elect to subscribe for any Secured Bonds not taken up by Existing Bondholders ("Excess"). Existing Bondholders applying for Secured Bonds are to settle all or part of the amount due on the Secured Bonds applied for by the transfer to the Issuer of Existing Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €2,000 Secured Bonds. Any Existing Bondholder whose holding in Existing Bonds is less than €2,000 shall be required to pay the difference together with the submission of the Application Form ("Cash Top-Up"). The consideration for the purchase of the Existing Bonds by the Issuer shall be €101.25 per Existing Bond. Such consideration will be settled as follows: (i) Existing Bondholders electing to subscribe for Secured Bonds through the transfer to the Issuer of all or part of the Existing Bonds held by them as at the Cut-Off Date shall be allocated such number of Secured Bonds representing the nominal value of Existing Bonds transferred to the Issuer (including Cash Top-Up, where applicable); (ii) The difference of €1.25 shall be settled by the Issuer by the settlement in cash of €1.25 per Existing Bond so purchased by the Issuer by virtue of the Exchangeable Bond Transfer (the "Cash Settlement"). The said amount shall be settled within 30 days of the allocation by the bank transfer of the Cash Settlement to the bank account designated by the Existing Bondholder in its Application Form. Interest on the Existing Bonds subject of the Exchangeable Bond Transfer which has accrued up until the Exchangeable Bond Transfer Date shall be settled by the Issuer within 30 days of the allocation of Secured Bonds. The settlement of accrued interest shall be made by the Issuer by bank transfer to the bank account designated by the Existing Bondholder in its Application Form. The transfer of Existing Bonds to the Issuer in consideration for the subscription of Secured Bonds shall cause the obligations of the Issuer with respect to such Existing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Secured Bonds;
Placement Agreement:	the conditional agreements to be entered into by the Issuer with a number of Authorised Financial Intermediaries in respect of the amount of the Secured Bonds reserved for subscription by Authorised Financial Intermediaries for their own account or on behalf of their respective clients;
Placement Date:	7 January 2022;
Offer Period:	08:30 hours on 10 December 2021 to 14:00 hours on 5 January 2022, both days included;
Interest:	3.9% per annum;
Interest Payment Date/s:	annually on 30 December as from 30 December 2022 (the first Interest Payment Date);
Governing Law of Bonds:	the Secured Bonds are governed by and shall be construed in accordance with Maltese law; and
Jurisdiction:	the Maltese courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Secured Bonds.

5.6 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription of the Secured Bonds by MZI pursuant to a Placement Agreement, and any fees payable in connection with the Bond Issue to MZI (as Sponsor, Registrar and Manager), so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

5.7 COLLATERAL

The Secured Bonds are secured, and Bondholders shall have the benefit of the following collateral:

- (i) the third-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the Issuer;
- (ii) the second-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the GQM;
- (iii) the first-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of GQL;
- (iv) the second-ranking special hypothec granted by GQM for the full nominal value of the Secured Bonds over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon);
- (v) the first-ranking special hypothec for the full nominal value of the Secured Bonds and interest thereon over Qawra Site III (and any developments and constructions thereon) and the first ranking special privilege granted by GQL over Qawra Site III (and any developments and constructions thereon) for the amount of €8 million; and
- (vi) the Pledge Agreements.

The collateral shall be constituted in favour of the Security Trustee for the benefit of all Bondholders from time to time registered in the CSD.

The Issuer and the Guarantors have entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer to pay the principal amount under the Secured Bonds on the Redemption Date or a Designated Early Redemption Date and interest thereon and the covenants of the Guarantors to pay principal and interest on the Secured Bonds in the event of a claim under the Guarantees in accordance with their terms. The Trust Deed also regulates the constitution of the Collateral and the Guarantees in favour of the Security Trustee and the maintenance of the Reserve Account.

The Guarantees and the Collateral shall be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Secured Bonds. The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the Collateral upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Secured Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantors), save to the extent that the Security Trustee shall apply any amounts held to the credit of the Reserve Account, held by it towards the redemption of the Secured Bonds on the Redemption Date or a Designated Early Redemption Date.

5.8 RELEASING SECURITY AND THE RESERVE ACCOUNT

5.8.1 The Mosta Development, Qawra II Development and Qawra III Development

All sales of residential units, commercial units and garages / car spaces forming part of the Mosta Development, the Qawra II Development and the Qawra III Development are expected to be executed on the basis that units are sold free and unencumbered, and accordingly released of all hypothecary rights and privileges encumbering those units / garages / car spaces. For this purpose, the Security Trustee is authorised and empowered, pursuant to the Trust Deed, to release individual unit / garage / car space of the Hypothecated Property from security interests encumbering such unit / garage / car space upon receipt by it from the Issuer and, or the Guarantors or from a prospective purchaser of a fixed portion of the purchase price of each unit / garage / car space, as better described below.

The Security Trustee and the Issuer have agreed on a list of projected prices for each unit and garage / car space sold in terms of the Mosta Development, the Qawra II Development and the Qawra III Development (the "**Projected Sales Price/s**"). The Projected Sales Prices reflect the opinion of the Directors as at the date of this Prospectus.

The receipt of funds to be held by the Security Trustee for the purposes of the Reserve Account shall be as follows:

Mosta Development and Qawra II Development

The Security Trustee shall not be entitled to receive any percentage of the Projected Sales Price assigned to a unit / garage / car space being sold until such time as the security trustee of the 2020 Bonds has received €21 million in the reserve account it maintains. Until such time, the Security Trustee shall appear on each deed of sale and waive all its hypothecary rights over the Qawra II Development and the Mosta Development without receiving any proceeds to be credited to the Reserve Account. Upon the receipt of €21 million in the reserve account maintained by the security trustee of the 2020 Bonds, the Security Trustee shall only be bound to release the Security Interests registered in its favour over a particular residential unit or garage / car space upon the receipt of 75% of the Projected Sales Price assigned to the respective unit and, or garage / car space being sold.

The security trustee of the 2020 Bonds holds a first-ranking special hypothec over the Mosta Development and the Qawra II Development. In view of this special hypothec, the security trustee of the 2020 Bonds and the Security Trustee, shall jointly appear on the deeds of sale concerning these two developments and receive the relevant funds to be apportioned to the appropriate reserve accounts maintained by the said trustees in manner set out in this Securities Note.

Qawra III Development

The Trustee shall only be bound to release the Security Interests registered in its favour over a particular residential unit or garage / car space against receipt by it of 75% of the Projected Sales Price assigned to the respective unit and, or garage / car space being sold.

The above procedure is intended to ensure that the Security Interests created for the interest of Bondholders is only reduced against a cash payment made by the Issuer to the credit of the Reserve Account to be held by the Security Trustee for the benefit of Bondholders.

5.8.2 Portion B of Qawra Site III

A portion of Qawra Site III will not form part of the Qawra III Development and is being held by the Group for future resale and, or future development. The Security Trustee may, at its discretion, waive its rights over this portion of the site subject to such terms and conditions and following the receipt of such proceeds for the benefit of the Reserve Account, if any, as it deems fit.

Maintenance of Reserve Account

The funds so received by the Security Trustee shall be held by it under trust in a segregated bank account with a licensed credit institution in Malta for the benefit of the Bondholders and shall be so held with a view to meeting the redemption of the Secured Bonds on the Redemption Date or a Designated Early Redemption Date or otherwise for the Issuer to repurchase Secured Bonds in the market for cancellation or otherwise invested in accordance with the terms and conditions of the Trust Deed.

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors are of the view that the percentages of the Projected Sales Price of units and garages / car spaces forming part of the Hypothecated Property allocated to the Security Trustee from available cash flows that will be credited to the Reserve Account, will be sufficient to cover the redemption of the Secured Bonds on the Redemption Date. The Trustee is empowered to amend the percentages of the Projected Sales Prices which are to be received.

6 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

Each Secured Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring Secured Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Secured Bonds hereafter described and to accept and be bound by the said terms and conditions.

6.1 GENERAL

The principal terms of the Secured Bonds are set out below:

- 6.1.1** Each Secured Bond forms part of a duly authorised issue of 3.9% Secured Bonds 2024-2026 of a nominal value of €100 per Secured Bond issued by the Issuer at par up to the principal amount of €21,000,000 (except as otherwise provided under section 6.13 entitled "Further Issues"). The Issue Date of the Secured Bonds is expected to be 24 January 2022.
- 6.1.2** The Bond Issue is guaranteed by the Guarantors and secured with the Collateral.
- 6.1.3** The currency of the Secured Bonds is Euro (€).
- 6.1.4** The Secured Bonds are expected to be listed on the Official List on 24 January 2022 and dealing can be expected to commence thereafter. Dealing may commence prior to notification of the amount allotted being issued to Applicants.
- 6.1.5** Subject to admission to listing of the Secured Bonds to the Official List, the Secured Bonds are expected to be assigned ISIN: MT0001231233.
- 6.1.6** Unless previously purchased and cancelled, the Secured Bonds shall be redeemable at par on the Redemption Date or a Designated Early Redemption Date.
- 6.1.7** The issue of the Secured Bonds is made in accordance with the requirements of the Capital Markets Rules, the Companies Act, and the Prospectus Regulation.
- 6.1.8** The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants during the Offer Period is €2,000 and in multiples of €100 thereafter.
- 6.1.9** Applications under the Placement Agreements per underlying Applicant are for a minimum amount of €2,000 per Applicant and in multiples of €100 thereafter.
- 6.1.10** In the event that the minimum subscription amount of €8 million of Secured Bonds is not reached, no allotment of the Secured Bonds shall be made, the subscription to Secured Bonds shall be deemed not to have been accepted by the Issuer and all money received from subscribers shall be refunded accordingly.
- 6.1.11** The Bond Issue is not underwritten.
- 6.1.12** There are no special rights attached to the Secured Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 6.2 hereunder.
- 6.1.13** All Applications shall be subject to the terms and conditions of the Bond Issue as set out in section 8 hereunder, the terms of which shall form an integral part hereof.

In view of the early redemption component referred to in section 6.1.6 above, the Secured Bonds are complex financial instruments for the purposes of MIFID II. Accordingly, the Secured Bonds may only be suitable for investors who have the knowledge and experience to understand the risk related to this type of financial instrument. Potential investors should consult an independent investment advisor before investing in the Secured Bonds.

6.2 RANKING OF THE SECURED BONDS AND THE COLLATERAL

The ability of Bondholders to enforce their rights as creditors of the Issuer depends on whether other security holders or creditors have claims that would be viewed as senior, as having priority, or otherwise limiting the rights of the Bondholders to any payments on the Secured Bonds.

6.2.1 *Status of the Secured Bonds*

The Secured Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional, and secured obligations of the Issuer, and shall be guaranteed in respect of both the interest due and the principal amount under the said Secured Bonds by the Guarantors. The Secured Bonds shall at all times rank *pari passu* without any priority or preference among themselves.

6.2.2 *Collateral to be Constituted*

6.2.2.1 *Collateral provided by the Issuer*

The Issuer shall provide the following collateral as security for the Issuer's obligations under the Secured Bonds:

- (i) a third-ranking general hypothec over all its assets, present and future, for the full nominal value of the Secured Bonds and interest thereon; and
- (ii) the Pledge Agreements.

6.2.2.2 *Collateral provided by GQM*

GQM (in its capacity as Guarantor) shall provide the following collateral as security for Issuer's obligations under the Secured Bonds:

- (i) a second-ranking general hypothec over all its assets, present and future, for the full nominal value of the Secured Bonds and interest thereon; and
- (ii) the second-ranking special hypothec granted by GQM for the full nominal value of the Secured Bonds over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon).

As further explained in sections 6.1 and 6.2 of the Registration Document, the Issuer shall develop and complete the Qawra II Development over Qawra Site II and the Mosta Development over the Mosta Site.

6.2.2.3 *Collateral provided by GQL*

GQL (in its capacity as Guarantor) shall provide the following collateral as security for the Issuer's obligations under the Secured Bonds:

- (i) a first-ranking general hypothec over all its assets, present and future, for the full nominal value of the Secured Bonds and interest thereon; and
- (ii) a the first-ranking special hypothec for the full nominal value of the Secured Bonds and interest thereon over Qawra Site III (and any developments and constructions thereon) and the first-ranking special privilege granted by GQL over Qawra Site III (and any developments and constructions thereon) for the amount of €8 million.

As further explained in section 6.3 of the Registration Document, the Issuer shall develop and complete the Qawra III Development over Portion A (which forms part of Qawra Site III).

6.2.2.4 *Guarantees*

Furthermore, the Guarantors have provided corporate guarantees in favour of the Security Trustee.

In this respect, pursuant to the Trust Deed, the Guarantors have agreed to jointly and severally guarantee the punctual performance by the Issuer under the Secured Bonds by entering into the Guarantees, which shall become effective upon the admission to listing of the Secured Bonds on the Official List of the MSE. The Guarantee granted by GQM to the Security Trustee is subordinated to the rights of the security trustee of the 2020 Bonds under the corporate guarantee granted in its favour. For the purposes of the said subordination, the Security Trustee shall not enforce its rights under the Guarantee until the earlier of: (i) the redemption of the 2020 Bonds and (ii) the payment of the full amount outstanding under the 2020 Bonds to the 2020 Bondholders.

6.2.3 *Ranking of Collateral*

6.2.3.1 *Third-ranking general hypothec granted by the Issuer*

The Issuer shall secure its obligations under the Bond Issue by virtue of a third-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all its assets, present and future. In terms of Maltese law, hypothecary debts are paid according to the order of registration in the Public Registry. A first ranking general hypothec over the Issuer's assets, present and future, was constituted in favour of the security trustee of the 2019 Bonds and a second-ranking general hypothec was constituted in favour of the security trustee of the 2020 Bonds. Accordingly, in the case of the insolvency of the Issuer, the security trustee of the 2019 Bonds and the security trustee of the 2020 Bonds shall be paid out of the assets of the Issuer in priority to the Security Trustee (acting for the benefit of the Bondholders). In addition to the aforesaid, privileged debts rank, with priority over hypothecary debts. Accordingly, privileged creditors shall be paid before those creditors in whose favour a hypothec has been registered.

6.2.3.2 *Second-ranking general hypothec, second-ranking special hypothec and second-ranking special privilege granted by GQM*

GQM has constituted a first-ranking general hypothec and a first-ranking special hypothec over Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) in favour of the security trustee of the 2020 Bonds.

GQM shall constitute in favour of the Security Trustee a second-ranking general hypothec over all its assets, present and future, for the full nominal value of the Secured Bonds and interest thereon. It shall also constitute a second-ranking special hypothec, over each of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and interest thereon. Should the Security Trustee declare that an Event of Default has occurred which is continuing, the Security Trustee (for the benefit of Bondholders) shall, by virtue of the general hypothec, be paid out of the assets of GQM and, by virtue of the special hypothec, be paid out of the Mosta Site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) after the 2020 Bondholders.

During the course of construction of the Mosta Development and the Qawra II Development, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Mosta Development and, or the Qawra II Development, thereby obtaining a priority in ranking over the Security Trustee. In this respect, pursuant to the issue of the 2020 Bonds, GQM shall enter into an agreement with GGCL, the principal contractor, whereby GGCL shall, *inter alia*, waive its right to register any special privilege over Mosta Development and the Qawra II Development until such time that the indebtedness under the Secured Bonds has been settled and repaid in full and the Security Interests granted in favour of the Security Trustee and referred to in the Prospectus have been discharged. Whilst this is intended to minimise the possibility that any real rights are created over the afore-mentioned developments that would have the effect of diminishing the value of the Security Interests registered in favour of the Security Trustee, there can be no guarantee that a sub-contractor conducting works on one or more of the afore-mentioned developments may constitute a special privilege according to law.

6.2.3.3 *First-ranking general hypothec, first-ranking special hypothec and first-ranking special privilege granted by GQL*

GQL shall constitute in favour of the Security Trustee a first-ranking general hypothec over all its assets, present and future, for the full nominal value of the Secured Bonds and interest thereon. It shall also constitute a first-ranking special hypothec and a first-ranking special privilege over Qawra Site III (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and interest thereon. Should the Security Trustee declare that an Event of Default has occurred which is continuing, the Security Trustee (for the benefit of Bondholders) shall, by virtue of the general hypothec, be paid out of the assets of GQL and, by virtue of the special hypothec, be paid out of Qawra Site III.

The special hypothec shall be registered as first-ranking special hypothec in the Public Registry. This means that the said hypothecs will rank in priority to other creditors, except for privileged creditors. During the course of construction of the Qawra III Development over Qawra Site III (or any future developments over Qawra Site III generally), situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Qawra III Development (or any future developments over Qawra Site III generally), thereby obtaining a priority in ranking over the Security Trustee. In this respect, GQL shall enter into an agreement with GGCL, the principal contractor, whereby GGCL shall, *inter alia*, waive its right to register any special privilege over Qawra Site III until such time that the indebtedness under the Secured Bonds has been settled and repaid in full and the Security Interests granted in favour of the Security Trustee and referred to in the Prospectus have been discharged. Whilst this is intended to minimise the possibility that any real rights are created over the afore-mentioned developments that would have the effect of diminishing the value of the Security Interests registered in favour of the Security Trustee, there can be no guarantee that a sub-contractor conducting works on one or more of the afore-mentioned developments may constitute a special privilege according to law.

6.2.4 *Pledge Agreements*

In terms of the Trust Deed, the Guarantors shall enter into the Pledge Agreements. A pledge creates a right of preference in favour of the collateral holder to be paid out of the asset so secured (the insurance policy) in priority to other creditors. The pledge granted by GQM in favour of the Security Trustee stipulates that the enforcement proceeds of the said pledge will be applied in favour of the 2020 Bondholders in priority to the Bondholders.

6.2.5 *Security Trustee*

The Security Trustee shall hold the Security Interests for the benefit of the Bondholders in proportion to their respective holding of Secured Bonds, subject to the terms of the Trust Deed.

6.3 THE GUARANTEES

The Secured Bonds shall be guaranteed by the Guarantors on a joint and several basis. Accordingly, the Security Trustee, for the benefit of the Bondholders, shall be entitled to request any of the Guarantors to pay both the interest due and the principal amount under said Secured Bonds on first demand (subject to the terms of the Guarantees) if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantees also entitle the Security Trustee to take action against any of the Guarantors without having to first take action against the Issuer.

The Guarantee granted by GQM to the Security Trustee is subordinated to the rights of the security trustee of the 2020 Bonds under the corporate guarantee granted in its favour. For the purposes of the said subordination, the Security Trustee agreed not to enforce its claims until the earlier of: (i) the redemption of the 2020 Bonds and (ii) the payment of the full amount outstanding under the 2020 Bonds to the 2020 Bondholders.

Information on the Guarantors is contained in section 3.1 of the Registration Document entitled “**Directors, Senior Management, Advisors and Auditors**”, section 5 of the Registration Document entitled “**Information about the Guarantors**” (which section contains an overview of the Guarantors’ business), section 7.2.2 of the Registration Document entitled “**Key Financial Review – GQM**” and section 7.2.3. of the Registration Document entitled “**Key Financial Review - GQL**”.

6.4 RIGHTS ATTACHING TO THE SECURED BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Secured Bonds and creates the contract between the Issuer and a Bondholder. Any and all references to the terms and conditions of the Secured Bonds shall be construed as a reference to all and each section of this Securities Note. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Secured Bonds, including:

- (i) the repayment of capital;
- (ii) the payment of interest;
- (iii) the benefit of the Security Interests through the Security Trustee;
- (iv) the benefit of the Guarantees;
- (v) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- (vi) enjoy all such other rights attached to the Secured Bonds emanating from the Prospectus.

6.5 INTEREST

The Secured Bonds shall bear interest from and including 30 December 2022 at the rate of 3.9% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment shall be effected on 30 December 2022 (covering the period 30 December 2021 to 29 December 2022). Any Interest Payment Date which falls on a day other than a Business Day shall be carried over to the next following day that is a Business Day.

When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

6.6 THE LIMITS OF THE VALIDITY OF CLAIMS

In terms of article 2156 of the Civil Code, the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Secured Bonds is barred by the lapse of five years.

6.7 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Secured Bonds is 3.90% per annum. The gross yield to call as at the earliest possible Redemption Date (being 30 December 2024) is 3.90% per annum.

6.8 REGISTRATION, FORM, DENOMINATION AND TITLE

Certificates shall not be delivered to Bondholders in respect of the Secured Bonds. The entitlement to Secured Bonds shall be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There shall be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Secured Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

The CSD shall issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his / her / its entitlement to Secured Bonds held in the register kept by the CSD.

Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account shall be registered by the CSD for the online e-portfolio facility and shall receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder’s statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

The Secured Bonds shall be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Secured Bonds shall be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Secured Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

Any person in whose name a Secured Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Secured Bond. Title to the Secured Bonds may be transferred as provided below under the heading entitled “**Transferability of the Bonds**” in section 6.12 of this Securities Note.

6.9 PAYMENTS

Payment of the principal amount of Secured Bonds shall be made in Euro by the Issuer to the person in whose name such Secured Bonds are registered, with interest accrued up to the Redemption Date or a Designated Early Redemption Date (as applicable), by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Redemption Date or Designated Early Redemption Date (as applicable). The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Secured Bonds shall be redeemed, and the appropriate entry made in the electronic register of the Secured Bonds at the CSD.

In the case of Secured Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and, or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Secured Bonds.

Payment of interest on a Secured Bond shall be made to the person in whose name such Secured Bond is registered at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Secured Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Secured Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

6.10 REDEMPTION AND PURCHASE

Unless previously purchased and cancelled the Secured Bonds shall be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 30 December 2026 or, earlier, on a Designated Early Redemption Date.

Subject to the provisions of this section 6.10, the Issuer may at any time purchase Secured Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

All Secured Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

6.11 EVENTS OF DEFAULT

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than 75% in value of the Bondholders, by notice in writing to the Issuer and each of the Guarantors declare the Secured Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events (“**Events of Default**”):

- (i) The Issuer fails to effect the payment of interest under the Secured Bonds on an Interest Payment Date and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;
- (ii) the Issuer fails to pay the principal amount of a Secured Bond on the date fixed for its redemption; and such failure continues for a period of 60 days after written notice thereof by the Security Trustee to the Issuer;
- (iii) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by a Bondholder;
- (iv) the Collateral is not constituted and perfected in accordance with the ranking set out in this Prospectus;
- (v) Any of the Guarantors distribute dividends without the consent of the Security Trustee;
- (vi) The Collateral and, or the Guarantees are not enforceable against the Issuer and, or any of the Guarantors (as applicable);
- (vii) in terms of article 214(5) of the Companies Act, a court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn, or discharged within one month;
- (viii) the Issuer stops payment of its debts or ceases or threatens to cease to carry on its business;
- (ix) the Issuer or any of the Guarantors are unable to pay their debts within the meaning of article 214(5) of the Companies Act, or any statutory modification or re-enactment thereof;
- (x) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantors and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- (xi) an order is made, or an effective resolution is passed for winding up of the Issuer or any of the Guarantors, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- (xii) the Issuer or any of the Guarantors substantially change the object or nature of business as currently carried on;

- (xiii) the Issuer or the Guarantors commit a breach of any of the covenants or provisions contained in the Trust Deed and on their part to be observed and performed and the said breach still subsists for 30 days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Secured Bonds);
- (xiv) the security constituted by any hypothec, pledge, or charge upon the whole or any part of the undertaking or assets of the Issuer or the Guarantors shall become enforceable, and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;
- (xv) any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer or any of the Guarantors is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- (xvi) any material indebtedness of the Issuer or the Guarantors is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantors (as the case may be) becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer or the Guarantors in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding one million Euro (€1,000,000);
- (xvii) any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer or the Guarantors in connection with the Mosta Development, the Qawra II Development and, or the Qawra III Development or their development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- (xviii) it becomes unlawful at any time for the Issuer or the Guarantors to perform all or any of their obligations hereunder or to develop the Mosta Development, the Qawra II Development and, or the Qawra III Development or to continue with the development of the said projects;
- (xix) the Issuer or any of the Guarantors repudiate, or do or cause or permit to be done any act or thing evidencing an intention to repudiate the Secured Bonds and, or the Trust Deed; or
- (xx) in the sole opinion of the Security Trustee, a material part of the undertakings, assets, rights, revenues, shares or other ownership interests in the Issuer or the Guarantors are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

Upon any such declaration being made as aforesaid the said principal monies and interest accrued under the Secured Bonds shall be deemed to have become immediately payable at the time of the Event of Default, which shall have happened as aforesaid.

Provided that in the event of any breach by the Issuer of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature beyond the control of the Issuer, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times act on and in accordance with any directions / instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any Event of Default or other condition, event or circumstance has occurred or may occur, and until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such Event of Default or condition, event or other circumstance has happened and that the Issuer and, or the Guarantors are observing and performing all the obligations, conditions and provisions on their respective parts, as applicable, of the Secured Bonds and the Trust Deed.

6.12 TRANSFERABILITY OF THE BONDS

The Secured Bonds are freely transferable and once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

Any person becoming entitled to a Secured Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Secured Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by transferring the Secured Bond, or procuring the transfer of the Secured Bond, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (as duly constituted) of the Secured Bonds and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

The Issuer shall not register the transfer or transmission of Secured Bonds for a period of 15 days preceding the due date for any payment of interest on the Secured Bonds.

6.13 FURTHER ISSUES

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Secured Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Secured Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Secured Bonds in respect of the Collateral.

6.14 MEETINGS OF BONDHOLDERS

6.14.1 *Authority of the Bondholders' Meeting*

- 6.14.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders in all matters relating to the Secured Bonds and has the power to make all decisions altering the terms and conditions of the Secured Bonds.
- 6.14.1.2 A Bondholders' Meeting may be called for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus or the Trust Deed require the approval of a Bondholders' Meeting and to effect any change to the applicable Terms and Conditions of the Secured Bonds, including any change to a material term of issuance of the Secured Bonds or the Prospectus.
- 6.14.1.3 Where the approval of the Bondholders is required for a particular matter, such resolution shall be passed at a Bondholders' Meeting. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Secured Bonds.

6.14.2 *Procedural Rules for Bondholders' Meetings*

- 6.14.2.1 A Bondholders' Meeting shall be held at the written request of:
 - (i) the Issuer; or
 - (ii) the Security Trustee
- 6.14.2.2 The Bondholders' Meeting shall be called by the Security Trustee. A request for a Bondholders' Meeting shall be made in writing to the Security Trustee and shall clearly state the matters to be discussed.
- 6.14.2.3 If the Security Trustee does not call the Bondholders' Meeting within 21 days from the receipt of the said request, the requesting party may call the Bondholders' Meeting itself.
- 6.14.2.4 The Security Trustee shall, by not less than 14 days' notice in writing, call such meeting by giving all Bondholders listed in the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. If amendments to the Prospectus have been proposed, the main content of the proposal shall be contained in the notice.
- 6.14.2.5 A Bondholders' Meeting shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Secured Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two days from the date of the original meeting publish by way of accompany announcement the date, time, and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 15 days, following the original meeting. At an adjourned meeting, the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 6.14.2.6 Once a quorum is declared present by the chairman of the meeting, the Bondholders' Meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time for Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 6.14.2.7 The Bondholders' Meeting shall be held on the premises designated by the Security Trustee. The Bondholders' Meeting shall be chaired by the Security Trustee, unless otherwise decided by the Bondholders' Meeting.
- 6.14.2.8 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders and Secured Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting and the result of the voting. The minutes shall be signed by the chairman of the meeting. The minutes shall be deposited with the Security Trustee.
- 6.14.2.9 The Bondholders and the Security Trustee have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. A Bondholder may attend by a representative holding proxy.
- 6.14.2.10 The Security Trustee shall circulate proxy forms to Bondholders with the notice convening the Bondholders' Meeting.

6.14.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present when voting takes place.

6.14.2.12 The Trustee may provide for virtual or remote meetings of Bondholders, provided that any such meetings allow Bondholders to ask questions and to exercise their right to vote at such meetings.

6.14.3 Resolutions passed at Bondholders' Meetings

6.14.3.1 Unless otherwise specified in this Prospectus and, or the Trust Deed, the proposal placed before a Bondholders' Meeting shall only be considered approved if at least 60% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

6.14.3.2 At the Bondholders' Meeting each Bondholder may cast one vote for each Secured Bond held at close of business on the day prior to the date of the Bondholders' Meeting and as recorded on the register of Bondholders maintained by the CSD.

6.14.3.3 In all matters, the Issuer, the Security Trustee, and any Bondholder shall have the right to demand a poll.

6.14.3.4 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

6.14.3.5 The Security Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented; however, the Security Trustee may refuse to carry out resolutions being in conflict with this Prospectus or any applicable law.

6.14.3.6 The Issuer and the Bondholders shall be notified of resolutions passed at the Bondholders' Meeting.

6.15 AUTHORISATIONS AND APPROVALS

The Directors authorised the Bond Issue pursuant to a board of directors' resolution passed on 26 November 2021. The Guarantees being given by the Guarantors in respect of the Secured Bonds have been authorised by a resolution of the board of directors of: (i) GQL dated 26 November 2021; and GQM dated 26 November 2021.

6.16 NOTICES

Notices shall be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 24 hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

6.17 GOVERNING LAW AND JURISDICTION

The Secured Bonds are governed by and shall be construed in accordance with Maltese law.

Any legal action, suit, or proceedings against the Issuer and, or the Guarantors arising out of or in connection with the Secured Bonds and, or the Prospectus shall be brought exclusively before the Maltese courts.

7 TAXATION

7.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Secured Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Secured Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Secured Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

7.2 MALTA TAX ON INTEREST

Since interest is payable in respect of a Secured Bond which is the subject of a public issue and such interest should constitute “investment income” in terms of article 41(a)(iv)(1) of the Income Tax Act, Chapter 123 of the laws of Malta (the “**Income Tax Act**”), unless the Bondholder elects, by means of an instruction in writing sent to the Issuer in terms of article 35 of the Income Tax Act, to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act, interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of fifteen percent (15%) (ten percent (10%) in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the abovementioned “investment income” final withholding tax and should seek advice on the taxation of such income as special rules may apply.

Article 41(c) of the Income Tax Act defines the term “recipient” for the purposes of the provisions applicable to “investment income”, and includes, *inter alia*, a person (or a receiver, guardian, tutor, curator, judicial sequestrator, trustee, foundation or other fiduciary acting on behalf of a person) who is resident in Malta during the year in which “investment income” is payable to him / her, and EU / EEA nationals (and their spouse where applicable) who are not resident in Malta for Maltese tax purposes but who apply the tax rates applicable to Maltese residents on the basis that the income that arises in Malta is at least 90% of their worldwide income.

The aforementioned withholding tax is considered a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his or her income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient’s tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer is required to submit to the Maltese Commissioner for Revenue, the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Issuer will also render an account to the Maltese Commissioner for Revenue of all payments of qualifying “investment income” as well as an account of the amounts so deducted, including the identity of the recipient.

In the case of a valid election in terms of article 35 of the Income Tax Act made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his or her Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta and who satisfy the applicable conditions set out in the Income Tax Act should be exempt from tax in Malta on the interest received, they will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

7.3 EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and / or its agent may be required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. Please note that the information contained in this section does not constitute tax advice and prospective investors in the Secured Bonds are to consult their own independent tax advisors in case of doubt.

7.3.1 The Common Reporting Standard and the Directive on Administrative Cooperation

The Organisation for Economic Co-operation and Development (‘OECD’) has developed a global framework, commonly known as the Common Reporting Standard (‘CRS’) for the identification and timely reporting of certain financial information on individuals, and controlling persons of certain entities, who hold financial accounts with financial institutions of participating jurisdictions in order to increase tax transparency and cooperation between tax administrations. Numerous jurisdictions, including Malta, have signed the OECD Multilateral Competent Authority Agreement, which is a multilateral agreement outlining the framework to automatically exchange certain financial and personal information as set out within CRS.

So as to introduce an extended automatic exchange of information regime in accordance with the global standard released by the OECD, CRS has also been adopted in the EU through the implementation of Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of tax information in the field of taxation. This has been transposed in Malta by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127 (‘**CRS Legislation**’), and has been applicable since 1 January 2016. In terms of this legal notice, the automatic exchange of information obligations shall extend to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

Malta based financial institutions (defined as such for the purposes of CRS) are obliged to identify and annually report to the Malta Commissioner for Revenue financial accounts held by a reportable person, as defined under the CRS Legislation, including certain entities with one or more controlling persons, as defined under the CRS Legislation. Financial information relating to the Secured Bonds and the holders thereof may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

Under CRS, financial institutions resident in a CRS participating jurisdiction (such as Malta) would be required to apply onerous due-diligence procedures for the identification of reportable accounts. Bondholders may be required to provide certain information and certifications to financial institutions, such as qualifying custodians or any intermediaries, in order to satisfy their obligations under CRS. Certain confidential information in relation to the Bondholders and / or other reportable persons may be reported to the Commissioner for Revenue or other relevant overseas tax authorities and automatically exchanged pursuant to these arrangements with the tax administrations of other participating jurisdictions.

Investors are also advised to assess any reporting obligations in terms of Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements ("DAC 6"), as transposed into Maltese domestic law by way of Legal Notice 342 of 2019 amending the CRS Legislation.

Investors are advised to seek professional advice in relation to the CRS Legislation and EU Council Directive 2014/107/EU. Not complying with the CRS rules may give rise to certain fines or closure of financial accounts.

7.3.2 The Exchange of Information (United States of America) (FATCA) Order

The United States of America ('U.S.') has enacted rules, commonly referred to as 'FATCA', that generally impose a reporting regime and, in some cases withholding requirements, with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends as well as certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The U.S. has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA in Malta which has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156 ("**FATCA Legislation**").

Under the FATCA Legislation, financial institutions in Malta (defined as such for the purposes of FATCA) are required to satisfy applicable due diligence requirements to identify and report financial accounts held by specified U.S. persons, as defined under the FATCA Legislation, and certain non-U.S. entities, which are controlled by U.S. Controlling Persons, as defined under the FATCA Legislation, to the Malta Commissioner for Revenue. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the FATCA Legislation on an automatic basis.

Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations. In order to comply with its FATCA obligations, if any, the Issuer and / or its agent may be required to obtain certain information, forms and other documentation on the Bondholders to report information on reportable accounts to the Commissioner for Revenue, in accordance with applicable laws and regulations, which will in turn report this information to the Internal Revenue Service in the U.S. Bondholders should note that a specified U.S. person in terms of FATCA may include a wider range of investors than the current U.S. Person definition referred to in the Terms And Conditions of Application.

Financial institutions reserve the right to request any information and / or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and any referring legislation. In the case of failure to provide satisfactory documentation and / or information, financial institutions may take such action as it thinks fit, including without limitation, the closure of the financial account.

7.4 MALTESE TAXATION ON CAPITAL GAINS ARISING ON TRANSFER OF THE SECURED BONDS

On the basis that the Secured Bonds should not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "*shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return*", and to the extent that the Secured Bonds are held as capital assets by the Bondholder, no income tax or capital gains should be chargeable in respect of a transfer of the Secured Bonds.

7.5 DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Chapter 364 of the laws of Malta), (the "**Duty on Documents and Transfers Act**"), duty of 2% on the consideration or the real value (whichever is higher) is chargeable *inter alia* on the transfer *inter vivos* or transmission *causa mortis* of a "marketable security". However, on the basis that the Secured Bonds should not fall within the definition of a "marketable security", defined in the Duty on Documents and Transfers Act as "*a holding of share capital in any company and any document representing the same*", the transfer/transmission of the Secured Bonds should not be chargeable to duty.

Furthermore, in terms of article 50 of the Financial Markets Act, as the Secured Bonds should constitute qualifying financial instruments of a company quoted on a regulated market (that is, the MSE) any transfers or transmissions of the Secured Bonds should, in any case, be exempt from duty.

THE ABOVE INFORMATION IS BASED ON TAX LAW AND PRACTICE APPLICABLE AS AT THE DATE OF THIS PROSPECTUS, INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF SECURED BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE SECURED BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY AND DEPENDS, AMONG OTHER THINGS, ON THE PARTICULAR INDIVIDUAL CIRCUMSTANCES OF THE INVESTORS AND OF THE CLASSIFICATION OF THE SECURED BONDS FROM A MALTESE TAX PERSPECTIVE.

8 TERMS AND CONDITIONS OF THE BOND ISSUE

8.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Application Forms mailed to Existing Bondholders.....	9 December 2021
2. Commencement of interest on the Secured Bonds.....	30 December 2021
3. Closing of Offer Period.....	5 January 2022
4. Placement Date.....	7 January 2022
5. Expected date of announcement of basis of acceptance.....	14 January 2022
6. Refunds of unallocated monies (if any).....	21 January 2022
7. Expected dispatch of allotment advices.....	24 January 2022
8. Expected date of admission of the securities to listing.....	24 January 2022
9. Expected date of commencement of trading in the securities.....	25 January 2022
10. Expected date of constitution of Collateral.....	not later than 15 February 2022

8.2 EARLY REDEMPTION OPTION

At the sole option of the Issuer, the Issuer shall be entitled to prepay all or part of the principal amount of the Secured Bonds and all interests accrued up to the date of prepayment on any date falling between 30 December 2024 and 29 December 2026, by giving not less than 30 days' notice to the Bondholders.

8.3 TERMS AND CONDITIONS OF APPLICATION

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Applicant on the other.

- 8.3.1** The issue and allotment of the Secured Bonds is conditional upon the Secured Bonds being admitted to the Official List of the MSE. In the event that the said condition is not satisfied within 15 Business Days of the close of the Offer Period, any monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account.
- 8.3.2** An Existing Bondholder wishing to subscribe for Secured Bonds during the Offer Period shall submit a duly completed Application Form (received by mail from the Issuer) indicating that the consideration for the Secured Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Existing Bonds held by such Existing Bondholder as at the Cut-Off Date in an amount equivalent to the par value of the Secured Bonds applied for, subject to a minimum application of €2,000. Any Existing Bondholder whose holding in Existing Bonds is less than €2,000 shall be required to pay the difference together with the submission of an Application Form ("**Cash Top-Up**"). In addition, Existing Bondholders may elect to apply for Excess. The allocation of any Excess so applied for is subject to the allocation policy of the Issuer.
- 8.3.3** The Issuer shall enter into the Placement Agreements with a number of Authorised Financial Intermediaries pursuant to which the Issuer shall bind itself to allocate a total amount of €1,752,700 in nominal value of Secured Bonds to the said Authorised Financial Intermediaries, as well as any Secured Bonds which are not subscribed to by Existing Bondholders during the Offer Period. As described in more detail under section 8.4 below, Authorised Financial Intermediaries (in the names of underlying clients) must provide details of Applicants representing the amount they have been allocated by completing a data file as provided by the Registrar by latest 10 January 2022 accompanied by full payment.
- 8.3.4** Applications must be submitted by latest 14:00 hours on 5 January 2022.
- 8.3.5** By submitting a signed Application Form the Applicant is thereby confirming to the Issuer, the Sponsor, Manager and Registrar and the Authorised Financial Intermediary through whom the Application is made, as applicable, that:
- (i) all or part (as the case may be) of the Existing Bonds held by the Applicant on the Cut-Off Date are being transferred to the Issuer, together with any payment due in respect of any Cash Top-Up, if applicable;
 - (ii) the pre-printed Application Form constitutes the Existing Bondholder's irrevocable mandate to the Issuer to:
 - a. cause the transfer of the said Existing Bonds in the Issuer's name in consideration of the issue of Secured Bonds; and
 - b. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Existing Bonds in the Issuer and fully and effectively vest title in the appropriate number of Secured Bonds in the Applicant;
 - c. the obligations of the Issuer and the guarantors with respect to the Existing Bonds being transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer and the Guarantors under the Secured Bonds to be issued upon acceptance by the Issuer of the Application in question.

- 8.3.6** By submitting a signed Application Form, (i) the Applicant's remittance (if applicable) will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer acting through the Sponsor, Manager and Registrar reserves the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.
- 8.3.7** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder and, or a data file pursuant to the Placement Agreements, shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of investors wishing to apply for the Secured Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence, or domicile.
- 8.3.8** If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution, or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Sponsor, Manager and Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 8.3.9** In the case of joint Applicants, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The first person, as designated in the respective MSE account number quoted by the Applicant or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders designated in the MSE account number quoted by the Applicant or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Secured Bond/s so held.
- 8.3.10** In the case of corporate Applicants or Applicants having separate legal personality, it shall not be incumbent on the Issuer or Sponsor, Manager and Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised. Applications by corporate Applicants have to include a valid legal entity identifier ("LEI") which must be unexpired. Applications without such information or without a valid LEI will not be accepted.
- 8.3.11** In respect of a Secured Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Secured Bond/s so held and shall have the right to receive interest on the Secured Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Secured Bond/s, have the right to dispose of the Secured Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Secured Bonds (which shall be due to the bare owner).
- 8.3.12** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Secured Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 8.3.13** All Applications for Secured Bonds must be submitted on the appropriate Application Form within the time limits established therein. All Application Forms are to be lodged with any of the Authorised Financial Intermediaries by not later than 14:00 hours on 5 January 2022, together with payment of the full price of the Secured Bonds applied for (if applicable). Payments may be made in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Issuer acting through the Sponsor, Manager and Registrar reserve the right to invalidate the relative Application Form.
- 8.3.14** In the event that an Applicant has not been allocated any Secured Bonds or has been allocated a number of Secured Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Secured Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.
- 8.3.15** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the laws of Malta), as amended from time to time, the Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Chapter 586 of the laws of Malta) (the "**Data Protection Act**") and the General Data Protection Regulation (GDPR) (EU) 2016/679 ("**GDPR**"), as may be amended from time to time, for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.

- 8.3.16** It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Secured Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (“MIFIR”), as well as applicable MFSA Rules for investment services providers.
- 8.3.17** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person, or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 8.3.18** Subscription for Secured Bonds by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers (including tax and legal advisers) as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Secured Bonds. It is the responsibility of any person (including, without limitation, nominees, custodians, depositaries and trustees) outside Malta wishing to participate in the Bond Issue, to satisfy himself / herself / itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes (of any nature whatsoever) due in such territories. The Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.
- 8.3.19** The Secured Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 8.3.20** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and, or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted, and photocopies / facsimile copies will not be accepted.
- 8.3.21** The Secured Bonds will be issued in multiples of one hundred Euro (€100). The minimum subscription amount of Secured Bonds that can be subscribed for by Applicants is two thousand Euro (€2,000).
- 8.3.22** By not later than 14 January 2022, the Issuer shall announce the result of the Bond Issue and shall determine the basis of acceptance of applications and allocation policy to be adopted.
- 8.3.23** On the completion and delivery of an Application Form and, or data file, the Applicant:
- (i) agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Secured Bonds contained therein;
 - (ii) warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant/s. Failure to include an MSE account number will result in the Application being cancelled by the Issuer (acting through the Registrar) and subscription monies will be returned to the Applicant in accordance with section 8.2.1 above. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - (iii) acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Issuer, which is available on the Issuer’s website at www.gap.com.mt. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant’s consent, in the circumstances set out in the GDPR and the Data Protection Act and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that he/she/it has been provided with and read the privacy notice;
 - (iv) authorises the Issuer (or its service providers, including the CSD and/or the Sponsor, Manager and Registrar) and, or the relevant Authorised Financial Intermediary, as applicable, to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act and the GDPR. The Applicant has the right to request access to and rectification of the personal data relating to him/her in relation to the Bond Issue. Any such requests must be made in writing and sent to the Issuer and sent to the CSD at the Malta Stock Exchange. The requests must be signed by the Applicant to whom the personal data relates;
 - (v) confirms that in making such Application and, or subscribing for the Secured Bonds, no reliance was placed on any information or representation in relation to the Issuer or the issue of the Secured Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - (vi) agrees that any refund of unallocated Application monies, without interest, will be paid by direct credit, at the Applicant’s own risk, to the bank account as indicated in the Application Form. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith;

- (vii) warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: (i) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Secured Bonds, unless and until a payment of the Cash Top-Up, where applicable, is made in cleared funds for such Secured Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer acting through the Registrar is indemnified for all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the Applicant's remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Issuer acting through the Registrar of such late payment in respect of the Secured Bonds); or (ii) the Issuer may, without prejudice to other rights, treat the agreement to allocate such Secured Bonds as void and may allocate such Secured Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Secured Bonds (other than return of such late payment);
- (viii) agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- (ix) agrees to provide the Sponsor, Manager and Registrar and, or the Issuer, as the case may be, with any information which it / they may request in connection with the Application;
- (x) agrees that all Applications, acceptances of Applications and contracts resulting therefrom will be governed, and construed, in accordance with Maltese law, and to submit to the jurisdiction of the Maltese courts, and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction;
- (xi) warrants that, where an Applicant signs and submits an Application Form on behalf of another person or on behalf of a corporation or corporate entity or association of persons, the Applicant is duly authorised to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and undertake to submit your power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Issuer or the Registrar;
- (xii) warrants that where the Applicant is under the age of 18 years, or where an Application is being lodged in the name and for the benefit of a minor, the Applicant is the parent/s or legal guardian/s of the minor;
- (xiii) warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his / her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Sponsor, Manager and Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Secured Bonds and, or his / her Application;
- (xiv) warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (xv) represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "**United States**") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- (xvi) agrees that the Advisors to the Bond Issue (listed in section 3.3 of the Registration Document) will owe the Applicant no duties or responsibilities concerning the Secured Bonds or the suitability of the Applicant;
- (xvii) agrees that all documents in connection with the issue of the Secured Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applicants, the address of the first named Applicant) as designated in the respective MSE account quoted by the Applicant; and
- (xviii) renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Secured Bonds.

8.3.24 The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and based on the results of such test, be satisfied that an investment in the Secured Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Secured Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and based on the results of such test, be satisfied that an investment in the Secured Bonds may be considered suitable for the Applicant. For the purpose of this Securities Note, the term "**Appropriateness Test**" means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Secured Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Secured Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this

assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Secured Bond or investment service offered or demanded, in accordance with the Conduct of Business Rulebook issued by the Malta Financial Services Authority. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Secured Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant's request to subscribe for or acquire Secured Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Secured Bonds is not appropriate for the Applicant or transferee; For the purpose of this Securities Note, the term "**Suitability Test**" means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Secured Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Secured Bonds that are considered suitable for him/her, in accordance with Conduct of Business Rulebook issued by the Malta Financial Services Authority. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria: a. it meets the investment objectives of the Applicant or prospective transferee in question; b. it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and c. it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand.

8.4 PLAN OF DISTRIBUTION AND ALLOTMENT

The Secured Bonds shall be made available for subscription as follows:

- (a) an amount of €19,247,300 in nominal value of Secured Bonds, being the outstanding amount under the Existing Bonds, shall be made available for subscription by Existing Bondholders during the Offer Period;
- (b) an amount of approximately €1,752,700 in nominal value of Secured Bonds, as well as any Secured Bonds which are not subscribed for by Existing Bondholders in terms point (a) above, shall be reserved for a number of Authorised Financial Intermediaries which shall enter into Placement Agreements with the Issuer.

Applications shall not be accepted by Authorised Financial Intermediaries unless, based on the results of such Appropriateness Test, the Authorised Financial Intermediary is satisfied that an investment in the Secured Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Secured Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and based on the results of such test, be satisfied that an investment in the Secured Bonds may be considered suitable for the Applicant. The allocation of the Secured Bonds is subject to the allocation policy of the Issuer set out in section 8.6 of this Securities Note.

The Secured Bonds are open for subscription during the Offer Period exclusively by Existing Bondholders applying for Secured Bonds by Exchangeable Bond Transfer, by submitting an Application Form to an Authorised Financial Intermediary, up to the number of Existing Bonds held by them as at the Cut-Off Date. Existing Bondholders may elect to subscribe for Excess. Existing Bondholders applying for Secured Bonds are to settle all or part of the amount due on the Secured Bonds applied for by the transfer to the Issuer of Existing Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €2,000 Secured Bonds. Any Existing Bondholder whose holding in Existing Bonds is less than €2,000 shall be required to pay the Cash Top-Up.

The consideration for the purchase of the Existing Bonds by the Issuer shall be €101.25 per Existing Bond. Such consideration will be settled as follows:

- (i) Existing Bondholders electing to subscribe for Secured Bonds through the transfer to the Issuer of all or part of the Existing Bonds held by them as at the Cut-Off Date shall be allocated such number of Secured Bonds representing the nominal value of Existing Bonds transferred to the Issuer (including Cash Top-Up, where applicable);
- (ii) The difference of €1.25 shall be settled by Cash Settlement. The said amount shall be settled within 30 days of the allocation by the bank transfer of the Cash Settlement to the bank account designated by the Existing Bondholder in its Application Form.

Interest on the Existing Bonds subject to the Exchangeable Bond Transfer which has accrued up until the Exchangeable Bond Transfer Date shall be settled by the Issuer within 30 days of the allocation of Secured Bonds. The settlement of accrued interest shall be made by the Issuer by the bank transfer to the bank account designated by the Existing Bondholder in its Application Form.

The transfer of Existing Bonds to the Issuer in consideration for the subscription Secured Bonds shall cause the obligations of the Issuer with respect to such Existing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Secured Bonds.

Subscriptions may be made through any of the Authorised Financial Intermediaries. It is expected that an allotment advice will be dispatched to Applicants within five Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta), and regulations made thereunder. Such monies shall not bear interest while retained as aforesaid.

Dealings in the Secured Bonds shall not commence prior to the Secured Bonds being admitted to the Official List.

8.5 PLACEMENT AGREEMENT

The Issuer has reserved the amount of approximately €1,752,700 in Secured Bonds as well as any Secured Bonds not taken up by Existing Bondholders for subscription by Authorised Financial Intermediaries. The Issuer shall enter into placement agreements with a number of Authorised Financial Intermediaries whereby the Issuer shall bind itself to issue and Authorised Financial Intermediaries shall bind themselves to subscribe for an aggregate amount of approximately €1,752,700 in nominal value of Secured Bonds as well as any Secured Bonds which are not subscribed to by Existing Bondholders, subject to the Secured Bonds being admitted to trading on the Official List (the **"Placement Agreements"**).

In terms of the Placement Agreements, Authorised Financial Intermediaries may subscribe for the Secured Bonds either for their own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to either:

- (i) distribute to the underlying customers any portion of the Secured Bonds subscribed for upon commencement of trading; or
- (ii) instruct the Issuer and the Sponsor, Manager and Registrar to issue a portion of the Secured Bonds subscribed by it directly to its underlying customers.

8.6 PRICING

The Secured Bonds are being issued at par, that is, at €100 per Secured Bond with the full amount payable upon subscription.

8.7 ALLOCATION POLICY

The Issuer shall allocate the Secured Bonds on the basis of the following policy and order of priority:

- (i) up to the amount of €19,247,300 being the outstanding amount of the 2019 Bonds shall be allocated to Existing Bondholders subscribing for Secured Bonds during the Offer Period; and
- (ii) the amount of €1,752,700 and any balance of the Secured Bonds not subscribed to by virtue of (i) above shall be allocated to Authorised Financial Intermediaries by virtue of the Placement Agreements.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 14 January 2022.

8.8 ADMISSION TO TRADING

The Malta Financial Services Authority has authorised the Secured Bonds as admissible to listing pursuant to the Capital Markets Rules by virtue of a letter dated 6 December 2021

Application has been made to the Malta Stock Exchange for the Secured Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

The Secured Bonds are expected to be admitted to the Malta Stock Exchange with effect from 24 January 2022 and trading is expected to commence on 25 January 2022.

8.9 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex IV, this Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of the Sponsor, Manager and Registrar which has given and has not withdrawn its consent to the inclusion of such report herein.

The Sponsor, Manager and Registrar does not have any material interest in the Issuer and, or the Guarantors. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The business address of the Sponsor, Manager and Registrar is at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta.

ANNEX I – SPECIMEN APPLICATION FORM



GAP Group p.l.c. €21,000,000 3.9% Secured Bonds 2024–2026
Guaranteed by Gap QM Limited and Gap Qawra Limited

APPLICATION FORM EXISTING BONDHOLDERS

Application
number

This Application Form is not transferable and entitles you to a preferential treatment as holder of Gap Group p.l.c. 4.25% Secured Bonds 2023 (the "2016 Bonds") and is to be submitted as a method of payment where the Applicant elects to apply for Gap Group p.l.c. 3.9% Secured Bonds 2024–2026 (the "Bonds") so as to transfer to the Issuer all or part of the holding in the 2016 Bonds, held by the Applicant as at 26 November 2021 (the "Cut-Off Date"), the nominal value of which is set out in Box 1 of Panel D hereunder.

Please read the Notes overleaf before completing this Application Form. Mark 'X' where applicable.

A APPLICANT (see notes 2 to 7)

I.D. CARD/PASSPORT/COMPANY REGISTRATION NO.	DOCUMENT TYPE	COUNTRY OF ISSUE	NATIONALITY
LEI (LEGAL ENTITY IDENTIFIER) (if applicant is NOT an individual)	DATE OF BIRTH	MSE A/C NO.	MOBILE NO.
☐ Please register me for e-Portfolio (mobile number is mandatory for e-portfolio registration)			

B ADDITIONAL (JOINT) APPLICANTS (TO BE COMPLETED ONLY IF APPLICABLE)

FULL NAME AND SURNAME		DATE OF BIRTH	MOBILE NO.
I.D. CARD/PASSPORT/COMPANY REGISTRATION NO.	DOCUMENT TYPE	COUNTRY OF ISSUE	NATIONALITY

C DECISION MAKER / MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 6 and 7) (to be completed ONLY if applicable)

FULL NAME AND SURNAME		DATE OF BIRTH	MOBILE NO.
I.D. CARD/PASSPORT/COMPANY REGISTRATION NO.	DOCUMENT TYPE	COUNTRY OF ISSUE	NATIONALITY
FULL NAME AND SURNAME		DATE OF BIRTH	MOBILE NO.
I.D. CARD/PASSPORT/COMPANY REGISTRATION NO.	DOCUMENT TYPE	COUNTRY OF ISSUE	NATIONALITY

D I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8)

BOX 1 – Nominal Value of 2016 Bonds

AMOUNT IN FIGURES **BOX 1**
€

BOX 2 – I/We wish to purchase and acquire the amount set out in Box 2 in Bonds at the Bond Issue Price (at par) (minimum €2,000 and in multiples of €100 thereafter) pursuant to the Prospectus dated 6 December 2021 ("Prospectus"). Any Existing Bondholder whose holding in 2016 Bonds is less than €2,000 shall be required to subscribe to at least €2,000 in Bonds and pay the difference when submitting this Application Form (the "Cash Top-Up").

AMOUNT IN WORDS

AMOUNT IN FIGURES **BOX 2**
€

BOX 3 – Amount of Bonds applied for less the nominal holding in the 2016 Bonds payable in full upon application under the Terms and Conditions of the Bonds set out in the Prospectus.

AMOUNT IN FIGURES **BOX 3**
€
Difference payable on application
Box 1 – Box 2

APPLICATION FORM CONTINUED**E RESIDENT – WITHHOLDING TAX DECLARATION (see note 9) (to be completed ONLY if the Applicant is a Resident of Malta)**

- ☐ I/We elect to receive interest NET of Final Withholding Tax.
- ☐ I/We elect to receive interest GROSS (i.e. without Final Withholding Tax.).

F NON-RESIDENT – DECLARATION FOR TAX PURPOSES (see notes 3 and 10) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	COUNTRY OF BIRTH
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TIN (TAX IDENTIFICATION NO.)

- ☐ I/We am/are **NOT** Resident in Malta but I/we am/are Resident in the European Union.
- ☐ I/We am/are **NOT** Resident in Malta and I/we am/are **NOT** Resident in the European Union.

G INTEREST, REFUND & REDEMPTION MANDATE (see note 11) (completion of this panel is mandatory)

BANK	IBAN
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I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.

By submitting this signed Application Form, Existing Bondholders shall be deemed to:

- (i) cause the transfer of the said 2016 Bonds in the Issuer's name in consideration of the issue of Bonds; and
- (ii) engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said 2016 Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant.

I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/ our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("**Transaction Reporting**"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s_____
Date

(Parents or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)
(Bare owner/s and usufructuary/ies to sign in the case of holdings of Bonds that are subject to usufruct)

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

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NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 6 December 2021 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 8.3 of the Securities Note dated 6 December 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes must complete Panel F overleaf.
4. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at **26 November 2021** (trading session of **24 November 2021**). **APPLICANTS ARE TO NOTE THAT ANY SECURED BONDS ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
6. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted (the birth certificate is not required if the minor already holds securities which are listed on the MSE). Any Secured Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker"), such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel C of the Application Form.
8. The amount set out in Box 2 of Panel D overleaf must be in multiples of €100 subject to a minimum application of €2,000. Amount included in Box 3 is payable in Euro, in cash or by cheque payable to the respective Authorised Financial Intermediary.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund will have final withholding tax (currently 10%), deducted from interest payments. In terms of Section 7.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).
10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of Notes 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.

11. Interest or redemption proceeds will be credited to the account designated in Panel G or as otherwise amended by the Bondholder/s during the term of the Secured Bond.
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex III of the Securities Note during normal office hours by not later than 14:00 hours on 5 January 2022. Remittances by post are made at the risk of the Applicant and the Issuer, the Registrar and/or the respective Authorised Financial Intermediary disclaim all responsibility for any such remittances not being received by the closing date indicated above. The Issuer, the Registrar and/or Authorised Financial Intermediary reserve the right to refuse any Application which appears to be in breach of the Terms and Conditions of Application as contained in the Prospectus. Any Applications received by any Authorised Financial Intermediary after 14:00 hours on 5 January 2022 will not be accepted. If the Application is not accepted after the closure of the subscription lists or is accepted for fewer Secured Bonds than those applied for, the monies equivalent to the number of Secured Bonds not being accepted will be returned by direct credit into the IBAN specified in panel G.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge that:
 - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the Laws of Malta) and/or the General Data Protection Regulation (GDPR) (EU) 2016/679 as amended from time to time;
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Secured Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Secured Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.



To: Equinox International Limited
No 9, Level 3, Valletta Buildings,
South Street,
Valletta VLT 1103 – MALTA
(hereinafter together with its lawful successors and assigns referred to as the “**Security Trustee**”).

6 December 2021

Dear Sirs,

Re: GUARANTEE & INDEMNITY

I, Gap QM Limited, a company registered in Malta bearing company registration number C 96686 (“GQM”) (hereinafter together with its lawful successors and assigns, referred to as the “Guarantor”), having noted that:

- A. by virtue of a prospectus dated 6 December 2021 issued by Gap Group p.l.c. (the “**Issuer**”) in connection with the issue of €21 million Secured Bonds 2024 – 2026 (as the same may be amended, varied or supplemented hereinafter referred to as the “**Prospectus**”) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €21,000,000 Secured Bonds at an annual interest rate of 3.90% to be redeemed and finally repaid on 30 December 2026, or, at the sole option of the Issuer, on any date falling between 30 December 2024 and 29 December 2026, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Secured Bonds and all interests accrued up to the date of prepayment, subject to the terms and conditions of the Prospectus (the “**Secured Bonds**”);
- B. the Guarantor is a fully owned subsidiary company of the Issuer;
- C. it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as the “**Guarantee**”) of the obligations of the Issuer above referred to in favour of the Security Trustee; and
- D. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

- (a) terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;
- (b) “**Indebtedness**” means any and all moneys, obligations and liabilities now or hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;
- (c) “**writing**” or “**in writing**” shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. GUARANTEE

2.1 Covenant to Pay

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer and GAP Qawra Limited (C 100513), unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of itself and the Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2 Maximum Liability of the Guarantor

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €21,000,000 (twenty one million Euros) apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and the Guarantor which shall be additional to the maximum sum herein stated.

2.3 Collateral supporting Guarantee

The Guarantee shall be further supported by: (i) a second-ranking general hypothec over all the assets of the Guarantor, both present and future; and (ii) a second-ranking special hypothec over each of the Mosta site (and any developments and constructions thereon) and the Qawra Site II (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and interest thereon.

2.4 Indemnity

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

3. CONTINUING AND UNCONDITIONAL LIABILITY

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or effected, nor shall it in any way be discharged or reduced by reason of:

- (a) the bankruptcy, insolvency or winding up of the Issuer; or
- (b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- (c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor; or
- (d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or
- (e) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and, or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES

4.1 Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,

- (a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
- (b) demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
- (c) take any step to enforce any right against the Issuer or any other person liable for the Indebtedness;
- (d) claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness;

4.2 Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that

- (a) if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;
- (b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, shall be suspended;
- (c) the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six (6) months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six (6) months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six (6) months prior to the liquidation of the Issuer;
- (d) the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

5. APPROPRIATION OF PAYMENTS

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the Reserve Account or such other purposes contemplated in the Prospectus.

6. SETTLEMENTS CONDITIONAL

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

7. ADDITIONAL GUARANTEE

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

8.1 This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

8.2 The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

9. REPRESENTATIONS AND WARRANTIES

9.1 The Guarantor represents and warrants:

- (a) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (b) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (c) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (d) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;
- (e) that this Guarantee shall not result in or cause the creation or imposition of or oblige the Guarantor to create any encumbrance on any of that Guarantor's undertakings, assets, rights or revenues;
- (f) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature and nor is it threatened with any such procedures;

- (g) that, save for any other priority and preference created by virtue of the deed of hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;
- (h) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- (i) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;
- (j) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom;

9.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

10. DEMANDS AND PAYMENTS

10.1 All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any Security Document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on-demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

10.2 The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

10.3 All payments shall be made to the Security Trustee without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

11. NOTICES

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile.

For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

Gap QM Limited

Address: Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
 Tel. No.: 23271000
 Fax No: 23271210
 Contact Person: Paul Attard

Equinox International Limited

Address: Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta
 Tel. No.: 21238989
 Fax No: 21223048
 Contact Person: Louis de Gabriele

Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

12. APPLICABLE LAW AND JURISDICTION.

This Guarantee shall be governed by and construed in accordance with Maltese law.

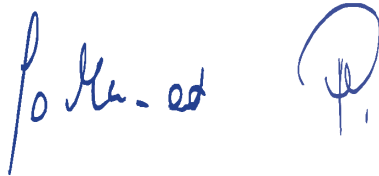
Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act, 1996. Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three, one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Yours faithfully,



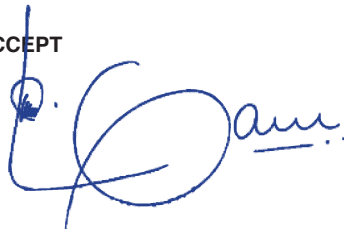
Name: George Muscat and Paul Attard
duly authorised, for and on behalf of
Gap QM Limited

Yours faithfully,



Name: George Muscat and Paul Attard
duly authorised, for and on behalf of
Gap Group p.l.c.

WE ACCEPT



Name: Louis de Gabriele
duly authorised, for and on behalf of
Equinox International Limited



To: Equinox International Limited
No 9, Level 3, Valletta Buildings,
South Street,
Valletta VLT 1103 – MALTA
(hereinafter together with its lawful successors and assigns referred to as the “**Security Trustee**”).

6 December 2021

Dear Sirs,

Re: GUARANTEE & INDEMNITY

I, **Gap Qawra Limited**, a company registered in Malta bearing company registration number C 100513 (“**GQL**”) (hereinafter together with its lawful successors and assigns, referred to as the “**Guarantor**”), having noted that:

- A. by virtue of a prospectus dated 6 December 2021 issued by Gap Group p.l.c. (the “**Issuer**”) in connection with the issue of €21 million Secured Bonds 2024 – 2026 (as the same may be amended, varied or supplemented hereinafter referred to as the “**Prospectus**”) the Issuer shall, under the joint and several guarantee of the Guarantor, issue up to €21,000,000 Secured Bonds at an annual interest rate of 3.90% to be redeemed and finally repaid on 30 December 2026, or, at the sole option of the Issuer, on any date falling between 30 December 2024 and 29 December 2026, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Secured Bonds and all interests accrued up to the date of prepayment, subject to the terms and conditions of the Prospectus (the “**Secured Bonds**”);
- B. the Guarantor is a fully owned subsidiary company of the Issuer;
- C. it is a condition precedent for the issuance of the Secured Bonds that, inter alia, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as the “**Guarantee**”) of the obligations of the Issuer above referred to in favour of the Security Trustee; and
- D. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, THE GUARANTOR IS HEREBY COVENANTING IN FAVOUR OF THE SECURITY TRUSTEE AS FOLLOWS:

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

- (a) terms and expressions defined in or construed for the purposes of the Prospectus shall have the same meanings or be construed in the same manner when used in this Guarantee, unless defined otherwise in this Guarantee;
- (b) “**Indebtedness**” means any and all moneys, obligations and liabilities now or hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;
- (c) “**writing**” or “**in writing**” shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

2. GUARANTEE

2.1 Covenant to Pay

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer and GAP QM Limited (C 96686), unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of itself and the Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2 Maximum Liability of the Guarantor

This is a continuing Guarantee for the whole amount due or owing under the Secured Bonds or which may hereafter at any time become due or owing under the Secured Bonds by the Issuer but the amount due by Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €21,000,000 (twenty one million Euros) apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and the Guarantor which shall be additional to the maximum sum herein stated.

2.3 Collateral supporting Guarantee

The Guarantee shall be further supported by: (i) a first-ranking general hypothec over all the assets of the Guarantor, both present and future for the full nominal value of the Secured Bonds and interest thereon; (ii) a first-ranking special hypothec over Qawra Site III (and any developments and constructions thereon) for the full nominal value of the Secured Bonds and interest thereon and; (ii) first-ranking special privilege over the Qawra Site III for the amount of €8 million.

2.3 Indemnity

As a separate and independent stipulation, the Guarantor agrees to indemnify the Security Trustee on demand for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee and the Guarantor so agrees to indemnify the Security Trustee even in the event that any obligation of the Issuer to the Security Trustee is invalid or ceases to be valid and enforceable against the Issuer for any reason whatsoever including, but without limitation, any legal limitation or any disability or incapacity of the Issuer. In such an event the Guarantor shall be liable towards the Security Trustee as if that obligation was fully valid and enforceable and as if the Guarantor were the principal debtor in respect thereof and shall pay all sums due to the Security Trustee within seven days of a demand in writing by the Security Trustee.

3. CONTINUING AND UNCONDITIONAL LIABILITY

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid and shall in no way be prejudiced or effected, nor shall it in any way be discharged or reduced by reason of:

- (a) the bankruptcy, insolvency or winding up of the Issuer; or
- (b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- (c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor; or
- (d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or
- (e) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

The Security Trustee is being expressly authorised to vary the Prospectus and, or modify the Indebtedness or to release or modify any guarantees or any security the Security Trustee may hold as security for the Indebtedness and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder. The Guarantor is also hereby expressly consenting to any assignments and transfers made by the Issuer in accordance with the Prospectus and this without the need of any prior or subsequent notice to the Guarantor and without any prejudice to the rights of the Security Trustee hereunder.

4. WAIVER OF THE GUARANTOR'S RIGHTS AND THE GUARANTOR'S WARRANTIES

4.1 Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee,

- (a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer or any other person liable for the Indebtedness;
- (b) demand or accept repayment, in whole or in part, of any indebtedness now or hereafter due to the Guarantor either from the Issuer or from any other person liable for the Indebtedness or demand any collateral in respect of same or dispose of same;
- (c) take any step to enforce any right against the Issuer or any other person liable for the Indebtedness;
- (d) claim any set-off or counter-claim against the Issuer or any other person liable for the Indebtedness nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or any other person liable for the Indebtedness or benefit or share any payment from or in composition with the Issuer or any other person liable for the Indebtedness;

4.2 Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that

- (a) if an Event of Default under the Prospectus occurs, any sums which may be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing or immediately after its receipt if such obligation arises from the documents executed by the Issuer in connection with the Prospectus;
- (b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer and any other person who may be liable for the Indebtedness, shall be suspended;
- (c) the Security Trustee may and shall receive and retain the whole of the liquidation dividends to the exclusion of the rights (if any) of the Guarantor in competition with the Security Trustee and pursuant to the above the Security Trustee is entitled to hold all payments made by the Guarantor or the Issuer on account of the Indebtedness in suspense for a period of six (6) months from the date of payment and any such payments on account shall not be applied in reduction of the Indebtedness for a period of six (6) months as stated. The Security Trustee may accordingly prove for the whole Indebtedness of the Issuer in liquidation after excluding any and all payments made within a period of six (6) months prior to the liquidation of the Issuer;
- (d) the Security Trustee shall not be required to exhaust any remedy or remedies it may have against the Issuer or other persons who may be liable for the Indebtedness for the settlement of all the Indebtedness before claiming against the Guarantor under this Guarantee which is to be construed as entirely independent from the relationship between the Security Trustee and the Issuer and providing immediate recourse against the Guarantor under this Guarantee. The Guarantor hereby waives any benefit of discussion or division which may be available under any applicable law.

5. APPROPRIATION OF PAYMENTS

The Security Trustee is entitled to appropriate payments received by it from the Issuer towards the credit of the Reserve Account or such other purposes contemplated in the Prospectus.

6. SETTLEMENTS CONDITIONAL

Any release, discharge or settlement between the Guarantor and the Security Trustee shall be conditional upon no security, disposition or payment to the Security Trustee by the Issuer or the Guarantor or any other third party liable to being void or set aside for any reason whatsoever and if, for any reason whatsoever, this condition is not fulfilled, such release, discharge or settlement shall be of no effect whatsoever and this Guarantee shall again come into force for all effects and purposes of law.

7. ADDITIONAL GUARANTEE

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's indebtedness towards the Security Trustee. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

8. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

- 8.1** This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.
- 8.2** The Guarantor shall not be entitled to assign or transfer any of its obligations under this same Guarantee.

9. REPRESENTATIONS AND WARRANTIES

9.1 The Guarantor represents and warrants: -

- (a) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- (b) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its deeds of constitution and the laws of its incorporation and regulation;
- (c) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (d) that this Guarantee does not and will not constitute default with respect to or run counter to any law, by-law, articles of incorporation, statute, rule, regulation, judgement, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;

- (e) that this Guarantee shall not result in or cause the creation or imposition of or oblige the Guarantor to create any encumbrance on any of that Guarantor's undertakings, assets, rights or revenues;
- (f) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature and nor is it threatened with any such procedures;
- (g) that, save for any other priority and preference created by virtue of the deed of hypothec, the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;
- (h) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- (i) that all the information, verbal or otherwise tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;
- (j) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom;

9.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

10. DEMANDS AND PAYMENTS

10.1 All the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile or other numbers as are stated below in Article 11 as the same may be changed by notice in writing by one party to the other.

The demand shall be accompanied by a statement by the Security Trustee confirming that to the best of its knowledge there exist, at the time of the demand, circumstances which constitute an Event of Default or such that may render the underlying obligations of the Issuer to the Security Trustee or any Security Document invalid and unenforceable for any reason whatsoever.

It is expressly agreed that the requirement of such statement is not a condition of liability of the Guarantor under this Guarantee and is entirely without prejudice to the on-demand nature of this Guarantee. Any disagreement by the Guarantor as to the contents of the statement shall not entitle the Guarantor to delay or interrupt the payment of the sum due under this Guarantee for any reason whatsoever.

10.2 The statement by the Security Trustee of the amount due under this Guarantee shall be binding on the Guarantor and shall be conclusive evidence of the sum due, saving only manifest error.

10.3 All payments shall be made to the Security Trustee without any withholding for taxes (and in so far as this obligation exists under any law the payment shall be grossed up by the amount of withholding) and without set-off for any amounts which may be then owing to the Guarantor by the Issuer or the Security Trustee. The Guarantor authorises the Security Trustee to apply any credit balance the Guarantor may have with the Security Trustee towards the satisfaction of the Indebtedness. The Security Trustee shall notify the Guarantor forthwith of the exercise of this right giving full details relating thereto.

11. NOTICES

Any notice required to be given by any party hereto to the other party shall be deemed to have been validly served if delivered by hand or sent by pre-paid registered letter through the post or by facsimile to such other party at his address given herein or such other address as may from time to time be notified to the other party for this purpose and any notice so served shall be deemed to have been served, if delivered by hand, at the time of delivery, or if by post, seven days after posting and if by facsimile, at the time of transmission of the facsimile.

For the purposes of this Guarantee, the proper addresses and facsimile numbers of the Parties are:

Gap Qawra Limited

Address: Gap Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
 Tel. No.: 23271000
 Fax No: 23271210
 Contact Person: Paul Attard

Equinox International Limited

Address: Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta
 Tel. No.: 21238989
 Fax No: 21223048
 Contact Person: Louis de Gabriele

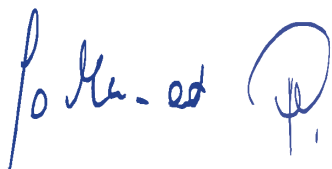
Provided that each party may at any time change such address or telefax number by giving seven days' prior written notice to the other party. Every notice, request, demand, letter or other communication hereunder shall be in writing and shall be delivered by hand or by post or through any other communication methods including telex, telefax or otherwise and shall be deemed to be received in case of post within seven days of dispatch or in case of other methods immediately upon confirmed transmission.

12. APPLICABLE LAW AND JURISDICTION.

This Guarantee shall be governed by and construed in accordance with Maltese law.

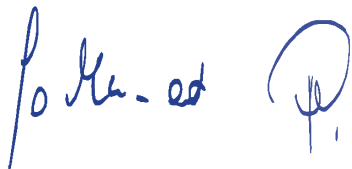
Any dispute, controversy or claim arising out of or relating to this Guarantee or as to the interpretation, validity, performance or breach thereof shall be referred to and finally resolved by arbitration under the UNCITRAL Rules of Arbitration in accordance with the provisions of Part V (International Arbitration) of the Arbitration Act, 1996. Any arbitration commenced pursuant to this clause shall take place in Malta and be administered by the Malta Arbitration Centre. The number of arbitrators shall be three, one arbitrator to be appointed by each of the Parties or, in default, by the Malta Arbitration Centre, whereas the third arbitrator shall be appointed by the first two arbitrators or, if they fail to agree on such an appointment, by the Malta Arbitration Centre. No appeal shall lie from any such award given.

Yours faithfully,



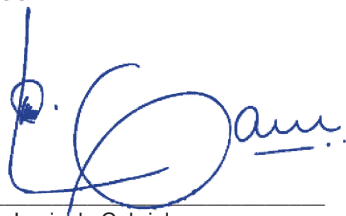
Name: George Muscat and Paul Attard
duly authorised, for and on behalf of
Gap Qawra Limited

Yours faithfully,



Name: George Muscat and Paul Attard
duly authorised, for and on behalf of
Gap Group p.l.c.

WE ACCEPT



Name: Louis de Gabriele
duly authorised, for and on behalf of
Equinox International Limited

ANNEX III – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR 4012	2560 3000
Bank of Valletta p.l.c.	Premium Banking Centre, 475, Triq il-Kbira San Guzepp, St Venera SVR 1011	2275 1732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	2568 8688
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	2134 7331
FINCO Treasury Management Ltd	The Bastions, Office No 2, Emvin Cremona Street, Floriana FRN 1281	2122 0002
Jesmond Mizzi Financial Advisors Ltd	67 Level 3, South Street, Valletta VLT 1105	2122 4410
Lombard Bank Malta p.l.c.	67, Republic Street, Valletta VLT 1117	2558 1806
Medirect Bank (Malta) plc	The Centre, Tigne` Point, Sliema TPO 0001	2557 4400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0 A, St Marta Street, Victoria, Gozo VCT 2551	2258 7000
MZ Investment Services Ltd	61, St Rita Street, Rabat RBT 1523	2145 3739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Fourth Floor, High Street, Sliema SLM 1551	2258 3000

Financial Analysis Summary

6 December 2021

ISSUER

Gap Group p.l.c. (C 75875)



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors
Gap Group p.l.c.
Gap Group Head Office
Ċensu Scerri Street
Tigné, Sliema, SLM 3060, Malta

6 December 2021

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out in the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the "**Issuer**" or "**Gap Group**"); Gap QM Limited and Gap Qawra Limited being the guarantors in relation to the issue of 3.90% secured bonds 2024 – 2026 (ISIN: MT0001231233) (the "**2021 Bond Guarantors**"); Gap QM Limited being the guarantor in relation to the issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225) (the "**2020 Bond Guarantor**"); Gap Mellieha (I) Limited and Gap Luqa Limited being the guarantors in relation to the issue of 3.65% secured bonds 2022 (ISIN: MT0001231217) (the "**2019 Bond Guarantors**"); and Gap Mellieha (I) Limited being the guarantor in relation to the issue of 4.25% secured Bonds 2023 (ISIN: MT0001231209) (the "**2016 Bond Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the years ended 31 December 2018 to 31 December 2020 has been extracted from the audited consolidated financial statements of Gap Group p.l.c.
- (b) Historical financial data has been extracted from the audited financial statements of Gap Mellieha (I) Limited (FY2018 to FY2020) and Gap Luqa Limited (FY2018 to FY2020).
- (c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2021 and 31 December 2022, the projected financial information relating to Gap QM Limited for the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022, and the projected financial information relating to Gap Qawra Limited for the period 20 October 2021 to 31 December 2022 have been provided by management.
- (d) Our commentary on the results of Gap Group and on its financial position is based on the explanations provided by management.
- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of Gap Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523, Malta
Tel: 2145 3739



MZ INVESTMENT SERVICES

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DEFINITIONS

2016 Bond(s)	the €40,000,000 4.25% secured bonds 2023 issued by the Issuer pursuant to a prospectus dated 16 September 2016 and carrying ISIN MT0001231209. The outstanding nominal value of the said bonds as at the date of this report amounts to €19,247,300;
2019 Bond(s)	the €40,000,000 3.65% secured bonds 2022 (ISIN: MT0001231217) issued by the Issuer pursuant to a prospectus dated 4 March 2019. The outstanding nominal value of the said bonds as at the date of this report amounts to €29,218,400;
2020 Bond(s)	the €21,000,000 3.70% secured bonds 2023 - 2025 (ISIN: MT0001231225) issued by the Issuer pursuant to a prospectus dated 20 November 2020. The outstanding nominal value of the said bonds as at the date of this report amounts to €21,000,000;
2021 Bond(s)	the €21,000,000 3.90% secured bonds 2024 - 2026 (ISIN: MT0001231233) to be issued by the Issuer pursuant to a prospectus dated 6 December 2021;
2016 Bond Guarantor	GML, being the guarantor in relation to the issue of the 2016 Bonds;
2019 Bond Guarantors	each of GML and GLL, being the guarantors in relation to the issue of the 2019 Bonds;
2020 Bond Guarantor	GQM, being the guarantor in relation to the issue of the 2020 Bonds;
2021 Bond Guarantors	each of GQM and GQL, being the guarantors in relation to the issue of the 2021 Bonds;
Birkirkara Development	the construction, development and finishing of a total of 14 residential units and 11 lock up garages, over a site in Birkirkara measuring 450m ² ;
Gap Group or Group	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, GQL, GQM, MHL and GLL;
GDL	Geom Developments Limited (C 50805);
GHL	Geom Holdings Limited (C 64409);
GGCL	Gap Group Contracting Limited (C 75879);
GGF	Gap Group Finance Limited (C 54352);
GGL	Gap Gharghur Limited (C 72015);
Gharghur Development	the 34 luxury apartments (6 of which are at penthouse level) and 41 garages/car spaces, spread over 4 blocks with a variety of one, two and three bedroom units, all in a completely finished state, forming part of the development on the site in Triq Caravaggio, Gharghur, Malta measuring approximately 2,585m ² ;
GLL	Gap Luqa Limited (formerly Qawra Investments Limited) (C 32225);
GML	Gap Mellieħa (I) Limited (C 72013);
GPL	Gap Properties Limited (C 47928);
GQL	Gap Qawra Limited (C 100153);
GQM	Gap QM Limited (C 96686);
Hypothecated Property	the immovable property described hereunder, namely: (i) A cash balance amounting to the outstanding balance of 2016 Bonds is held by the Security Trustee for the benefit of the holders of the 2016 Bonds; (ii) Block B to Block E of the Mellieħa Development and Zone A to Zone E of the Luqa Development are secured in favour of the security trustee for the benefit of the holders of the 2019 Bonds; (iii) The Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2020 Bonds; (iv) The Qawra Site III, Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra III Development, Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2021 Bonds;



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Issuer	Gap Group p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and having its registered office at Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta;
Luqa Development	the construction, development and finishing of a total of 268 apartments and 301 garages spread over 5 zones with a mix of one, two and three bedroom units over the site having a developable area of approximately 8,500m ² known as Ta' Blejkiet in Luqa;
Marsascula Development	the construction, development and finishing of a total of 63 residential units and 92 lock up garages, over a site in Marsascula measuring 2,402m ² ;
Mellieħa Development	the 159 residential units and 174 lock-up garages, spread over 10 blocks with a variety of one, two and three bedroom residential units, all in a completely finished state, over the site known as Ta' Masrija in Mellieħa measuring approximately 5,100m ² ;
Mosta Development	the construction, development and finishing of a total of 94 residential units, 4 commercial outlets and 109 car spaces, spread over 10 blocks with a variety of two and three bedroomed residential units over the Mosta Site;
Mosta Site	the site having a facade directly on Triq id-Difża Ċivili and on Triq tal-Qares in Mosta, measuring approximately 5,895m ² ;
MHL	Manikata Holdings Limited (C 53818);
Qawra I Development	the 151 residential units and 181 garages/car spaces, spread over 7 blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroom units, all in a completely finished state, forming part of the development of the site in Triq il-Portzjunkola, Qawra, Malta measuring approximately 3,508m ² ;
Qawra II Development	the construction, development and finishing of a total of 80 residential units, comprising a mix of two and four bedroomed units, and 90 lock-up garages spread over 6 blocks, over the Qawra Site II;
Qawra III Development	the construction, development and finishing of a total of 46 residential units, comprising a mix of two and three bedroomed units, and 58 lock-up garages spread over 3 blocks over Portion A, over the Qawra Site III;
Qawra Site II	the site located in Triq in-Nakkri, Qawra, measuring approximately 1,924m ² ;
Qawra Site III	the site located in Triq it-Tamar, Qawra, measuring approximately 2,375m ² and divided into Portion A and Portion B;
San Pawl Tat-Tarġa Development	the construction, development and finishing of a total of 9 residential units and 7 lock up garages, over a site in San Pawl Tat-Tarġa measuring 330m ² ; and
Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).



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PART 1 – INFORMATION ABOUT GAP GROUP

1. KEY ACTIVITIES

1.1 INTRODUCTION

The Issuer was incorporated in June 2016 as a public limited liability company under the Companies Act (Chapter 386 of the laws of Malta) with an authorised and issued share capital of €2.5 million, fully paid up.

The Issuer's principal object is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.

As at the date of this report, the following projects are ongoing or are completed with units available for sale on the market: (i) the Mellieha Development; (ii) the Luqa Development; (iii) the Birkirkara Development; (iv) the Marsascala Development; (v) the San Pawl tat-Targa Development; (vi) the Qawra II Development; and (vii) the Mosta Development.

Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors, which has common members with the directors of the Issuer. Furthermore, the Issuer engages the services of its Subsidiary, GGCL, as the contractor responsible for the development of the immovable properties. Other than the foregoing, the Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

Through GQL, the Group is in the process of acquiring the Qawra Site III and subsequently developing the Qawra III Development.

Several projects undertaken by the Subsidiaries of the Issuer were fully and, or partly funded (as applicable) by virtue of the issue of secured bonds on the Official List of the Malta Stock Exchange. The debt securities admitted to the Official List are listed below:

- (i) In September 2016, the Issuer issued the 2016 Bonds to principally finance the Mellieha Development, the Gharghur Development and the Qawra I Development.
- (ii) In March 2019, the Issuer issued the 2019 Bonds to principally finance the Luqa Development. The 2019 Bonds entailed an exchange offer of the 2016 Bonds for the 2019 Bonds. By virtue of the issuance of the 2019 Bonds, the Issuer reduced the outstanding nominal amount of the 2016 Bonds from €40,000,000 to €19,931,000.
- (iii) In November 2020, the Issuer issued the 2020 Bonds to principally finance the Qawra II Development and the Mosta Development.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

George Muscat	Chairman and Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Francis X. Gouder	Independent Non-Executive Director
Mark Castillo	Independent Non-Executive Director
Chris Cilia	Independent Non-Executive Director

2.2 DIRECTORS OF THE 2016 BOND GUARANTOR, 2019 BOND GUARANTORS, 2020 BOND GUARANTOR AND 2021 BOND GUARANTORS

The following are the directors of each of **GLL**, **GML**, **QGM** and **GQL**:

George Muscat	Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director



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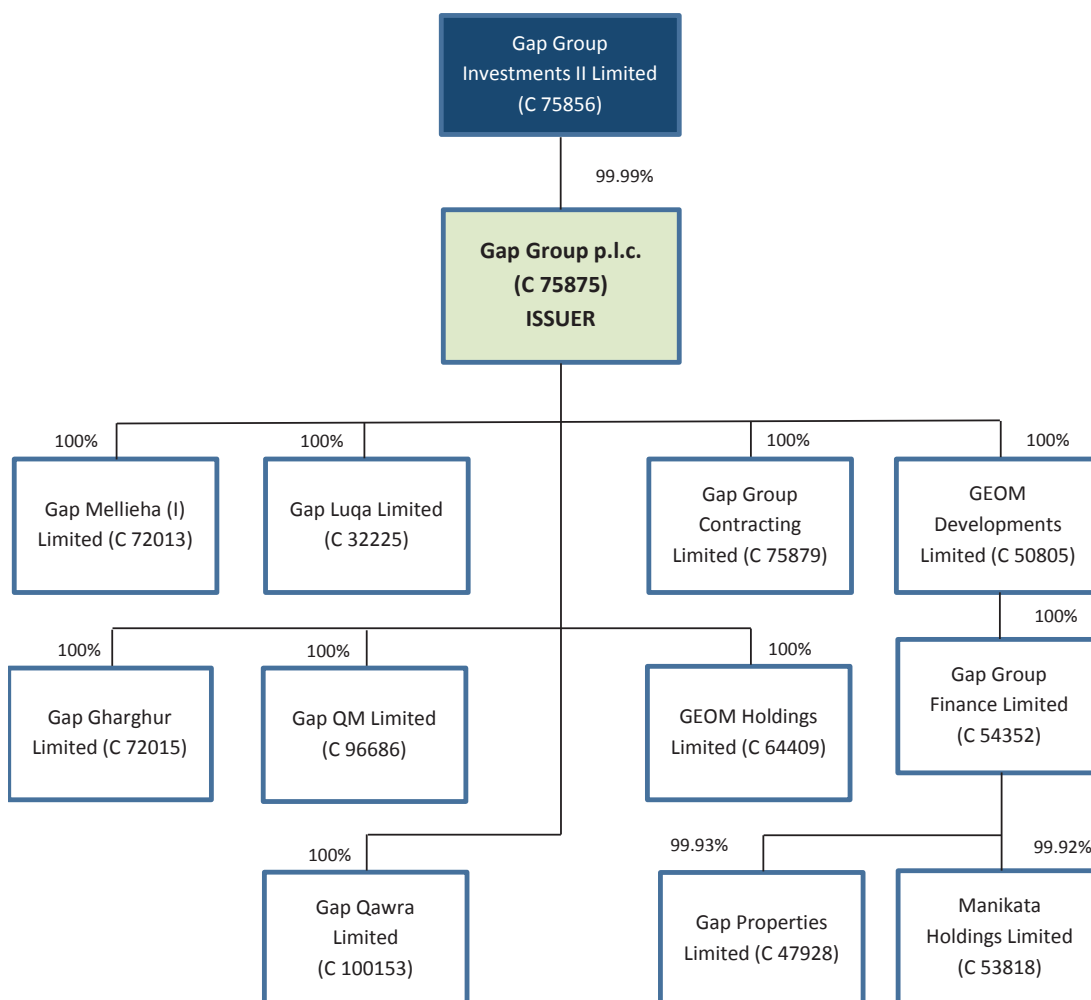
2.3 SENIOR MANAGEMENT

The Issuer itself has no employees and is managed directly by its board of directors. Each project company employs a number of management personnel and other employees devoted to managing each Project. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Group company; those services are then re-charged to the Group company where they are from time to time deployed.

Senior management of the Group is engaged by GGCL, the members of which are the following:

George Muscat	Chairman
Paul Attard	Director of Sales and Marketing
Adrian Muscat	Director of Sites
Keith Fenech	Chief Financial Officer
Raymond Grixti	Project Manager
Chris Gauci	Sales Manager
Elton Deguara	Sales Manager

3. ORGANISATIONAL STRUCTURE



The organisational structure of the Gap Group is depicted above. The Group is equally owned by three individual shareholders, namely, Paul Attard, Adrian Muscat and George Muscat, through Gap Group Investments II Limited (C 75856). Each of GML, GPL, GGL, GDL, GHL, GLL and QQM are project companies each entrusted with the construction and development of real-estate projects which, as at the date of this report, have been completed or are ongoing.



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3.1 2021 BOND GUARANTORS

3.1.1 Gap Qawra Limited

GQL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 100153, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQL has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQL was set up on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development.

3.1.2 Gap QM Limited

GQM is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 96686, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQM has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQM was set up on 23 September 2020 to acquire the Qawra Site II and Mosta Site and develop the Qawra II Development and Mosta Development.

3.2 2020 BOND GUARANTOR

3.2.1 Gap QM Limited

See section 3.1.2 above.

3.3 2019 BOND GUARANTORS

3.3.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 32225, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GLL has an authorised share capital of €4,658.75 (four thousand six hundred fifty eight Euro and seventy five cents) divided into 2,000 ordinary shares of €2.329373 each, and an issued share capital of €1,397.62 (one thousand three hundred ninety seven Euros and sixty two cents) divided into 600 Ordinary Shares of €2.329373 each, fully paid up. GLL was set up on 10 October 2003 to operate any land and/or buildings it acquires.

3.3.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 72013, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GML has an authorised share capital of €1,200 (one thousand two hundred Euro) and an issued share capital of €1,200 (one thousand two hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GML was set up on 26 August 2015 to acquire the site and develop the Mellieħa Development.

3.4 2016 BOND GUARANTOR

3.4.1 Gap Mellieħa (I) Limited

See section 3.3.2 above.

4. THE PROJECTS

4.1 QAWRA II DEVELOPMENT

In Q4 2020, GQM acquired a building site located in Triq in-Nakkri, Qawra (in the limits of St Paul's Bay) for a consideration of €4.6 million. The site has a superficial area of approximately 1,924m² which, on completion, shall comprise 6 blocks of apartments consisting, in aggregate, of 80 apartments.



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The Qawra II Development shall be spread over eight levels and shall include 90 lock-up garages spread over two underground levels. The combined gross floor space of the apartments and garages shall consist of an area of 16,810m². The apartments shall be sold in a complete state and will comprise a mix of two and four bedroomed residential units. Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The village of Qawra is located in the northern part of Malta. Being a coastal village, Qawra is a popular tourist destination but is also attractive to locals seeking to purchase a summer home or a reasonably priced residency. The Qawra II Development will include a mix of two and four bedroomed apartments, measuring approximately 120m² to 210m², and have been priced to target primarily first-time buyers and buy-to-let investors. The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra II Development to a market where the Directors believe demand will remain strong.

The overall costs of construction and finishings of the Qawra II Development, excluding the cost of acquisition of the Qawra Site II, is expected to be in the region of €7.6 million. Construction commenced in Q1 2021 and such works are envisaged to be completed by Q1 2022. The project including finishing works is expected to be finalised by Q1 2023. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €7.6 million. Payment under the said contract is being settled by GQM according to agreed fixed monthly payments.

Projected revenues to be generated from the sale of units of the Qawra II Development is expected to amount to €18.5 million (net of sales commissions).

4.2 MOSTA DEVELOPMENT

In Q4 2020, GQM acquired a building site located directly on Triq id-Difiza Ċivili and on Triq tal-Qares, in Mosta, for a consideration of €10.1 million. The site has a superficial area of *circa* 5,895m² which on completion, shall comprise 94 apartments spread over 10 blocks.

The Mosta Development shall be spread over four levels and shall include 109 parking spaces, spread over one underground level, as well as four commercial units. The combined gross floor space of the apartments and garages shall consist of a saleable area of 20,208m². The apartments shall be sold in a complete state, including all common areas except for the commercial units which will be sold in shell form internally and finished externally. Each block shall have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. Furthermore, the penthouses at the topmost level of each block, shall be owned by third parties and shall include full ownership of the respective roof and airspace.

The village of Mosta is located in the northern region of Malta and is sought after by locals for the purposes of their primary residence. Mosta is a relatively large town which boasts of historical sites, shopping centres and other amenities. The Mosta Development is located on the outskirts of Mosta in a quieter area of the village. The project targets two different segments of prospective buyers. The majority of the development (68% of the Mosta Development) is targeted at the medium segment of the market. Such part of the development consists of two to three bedroomed apartments which have an approximate square meterage of 120m² – 165m² per apartment. The remainder of the development (32% of the Mosta Development) is targeted at the medium to high segment of the market. Such part of the development consists of larger apartments having a square meterage of 200m² per apartment, with each apartment enjoying unobstructed valley and distant views and is targeted at the medium to high segment of the market.

The overall construction and finishing expenditure of the Mosta Development is expected to be in the region of €9.1 million. Preparation works under the supervision of the Superintendent of Cultural Heritage commenced in December 2020. Construction is envisaged to be completed by Q3 2022 and fully finished by Q1 2023. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €9.1 million.

Projected revenues to be generated from the sale of units of the Mosta Development is expected to amount to €29.4 million (net of sales commissions).



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4.3 QAWRA III DEVELOPMENT

On 20 October 2021, GQL acquired the rights under a preliminary agreement dated 18 February 2021 related to the sale and transfer of the temporary utile dominium of the Qawra Site III. In terms of the said preliminary agreement so assigned in GQL's favour, GQL agreed to purchase and acquire the temporary utile dominium for the remaining period of 107 years out of the original grant of 150 years granted on the 6 July 1978 of Qawra Site III for a consideration of €7,500,000. Qawra Site III has a superficial area of approximately 2,375m². GQM has allocated different uses to Qawra Site III: Portion A is earmarked for residential purposes and is the portion of Qawra Site III over which the Qawra III Development shall be developed and completed; Portion B is earmarked for touristic purposes and shall be held by the Group for resale or for future development.

Portion A – the Qawra III Development

Portion A, measuring approximately 1,395m² shall be utilised for the construction of the Qawra III Development which, on completion, shall comprise three blocks of residential units consisting of four maisonettes and two shops at ground floor, 36 apartments spread over 6 floors and 6 penthouses on the 7th floor which will be sold in a finished state (excluding internal doors) and including all common areas.

The Qawra III Development shall be spread over eight levels and shall include 58 lock-up garages spread over two underground levels, as well as two commercial units. The combined gross floor space of the residential units and garages shall consist of an area of 11,575m². Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a completed state, including all common areas and will comprise a mix of two and three bedroomed residential units, measuring approximately 180m² to 210m², which shall be priced to target primarily first-time buyers and buy-to-let investors. The commercial units shall be sold in shell form internally and finished externally.

The construction of the Qawra III Development is intended to commence in Q4 2021, with construction envisaged to be completed by Q2 2023 and fully finished by Q1 2024. Development works shall be carried out by GGCL pursuant to a works contract entered into between GQL and GGCL for a value of approximately €4,300,000.

The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra III Development to a market where the Directors believe demand will remain strong.

Projected revenues to be generated from the sale of units of the Qawra III Development is expected to amount to €12.5 million (net of sales commissions).

Portion B – the Qawra III Development

Portion B, measuring approximately 980m², shall be retained by the Group for future development or for resale depending on market circumstances and business opportunities of the Group. Portion B is subject to a permit for the development of a hostel and its value, estimated by an independent architect, amounts to *circa* €3.4 million. As at the date of this report, the Issuer has no current intention to undertake any such development and it shall not be making any reliance on any proceeds from the sale or any development of Portion B.

5. CURRENT PROJECTS

5.1 LUQA DEVELOPMENT

In April 2017, GLL acquired the legal title over a site, including its sub-terrain and airspace, having *circa* 8,500m² of developable land in Luqa, accessible from eight streets, namely, Triq Ġorġ Zahra, Triq Tumas Galea, Triq I-Iskola, Triq Ġeraldu Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq I-Ahwa Vassallo and Triq Ġuzeppi Callus, in an area known as Ta' Blejkiet in Luqa. The site is situated in the heart of the residential area of Luqa with close and direct access to the town's village core. The public school of the village and one of the largest supermarkets in the south of Malta are also in close vicinity and directly accessible from the proposed development. Furthermore, the property is located within a few metres from the arterial road which links the Malta International Airport to the rest of the island.



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The Luqa Development is split into five zones and on completion shall comprise 21 blocks having 301 underlying lock-up garages/car spaces and 268 residential units, as detailed below.

Zone	Footprint (m ²)	Blocks (qty)	Garages/Car Spaces (qty)	Residential Units (qty)
A	2,182	6	52	69
B	951	3	21	37
C	2,800	6	137	81
D	980	2	33	38
E	1,545	4	58	43
	8,458	21	301	268

As at 30 June 2021, all five zones were fully completed. Finishing works in relation to Zone E shall be completed by Q4 2021. Total estimated development cost of the project is €17.5 million, of which, outstanding development costs to completion is *circa* €2 million. Development costs are being funded principally from net proceeds of the 2019 Bonds, deposits received pursuant to preliminary sale agreements and from proceeds receivable on signing of sale contracts. All five zones are covered by full development permits.

Development works are carried out by GGCL pursuant to a works contract entered into between GLL and GGCL for a value of approximately €17.5 million. Payment under the said contract is being settled by the company according to agreed fixed monthly payments. GLL and GGCL entered into a public deed in the records of Notary Dr Andre Farrugia and dated 14 February 2019 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Luqa Development in the event of non-payment by GLL.

The project will include a mix of 1, 2 and 3 bedroomed residential units, measuring approximately 60m² to 160m², and are priced to target primarily first-time buyers and buy-to-let investors.

The units are being sold finished in a complete state, including all common areas. Each block will have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. The finishes of each apartment will include electrical, plumbing, telephone and air conditioning installations points, gypsum plastering and two coats of white paint, floor tiles and bathrooms, and external apertures in double glazed aluminium.

To date, GLL has launched all units on the market through various real estate agents in Malta, as well as through the Group's website and other forms of social media. As at 30 June 2021, 174 units have been sold for a total revenue of €35.5 million. A further 73 units, out of a total of 268 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €16.1 million, whereas the remaining 21 units are expected to be sold for an aggregate of approximately €5.9 million.

5.2 MELLIEHA DEVELOPMENT

In October 2016, GML acquired a plot of land measuring *circa* 5,100m² with access from the three streets surrounding the property situated in the Ta' Masrija area in Mellieha over which the Mellieha Development was developed.

The Mellieha Development comprises 159 luxury apartments which are being sold finished in a complete state, including all common areas. The development encompasses 10 blocks of apartments, each with separate entrances and served with passenger lifts accessing both the apartments and underlying garage levels. The apartments at the top level also have access to roof level and enjoy full ownership thereof. The development also includes 174 lock-up underground garages spread over 3 underground levels. To date, the project is fully complete in terms of construction works and finishings.

As at 30 June 2021, 140 residential units have been sold and a further 17 units, out of a total of 159 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €7.4 million, whereas the remaining two units are expected to be sold for an aggregate of approximately €1.6 million.



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5.3 OTHER MAJOR PROJECTS

In 2019, the Group acquired 3 parcels of land located in Marsascalea, San Pawl tat-Tarġa and Birkirkara, as further explained hereinbelow.

5.3.1 Marsascalea Development

In 2019, GPL acquired a site measuring 2,402m² which is accessible from three streets, namely, Triq il-Kappara, Triq il-Vajrita and Triq Guzeppi Lanzon, Marsascalea. Construction works commenced in Q1 2020 and are now completed. Finishing works will be completed in Q3 2021. The project comprises 63 residential units and 93 garages. Aggregate development costs, including acquisition of land, are estimated to amount to €13.9 million and are being funded from own funds and a bank loan facility.

As at 30 June 2021, 29 units were subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project is that of €18.6 million.

5.3.2 San Pawl tat-Tarġa Development

In 2019, GGL acquired a site measuring 330m², situated in Triq Jean de la Vallette, San Pawl ta-Tarġa, Naxxar over which nine residential units and eight garages shall be developed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.25 million and are being funded from own funds and a bank loan facility. As at 30 June 2021 the project was fully completed.

The residential units were placed on the market towards the end of Q3 2020 and, one unit has been contracted. The projected revenue from the sale of the units forming part of this project is that of €2.9 million.

5.3.3 Birkirkara Development

In 2019, GGL acquired a site measuring 450m², situated in Triq Qormi, Birkirkara, over which 14 residential units and nine garages shall be constructed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.6 million and are being funded from own funds and a bank loan facility.

The project is fully completed and as at 30 June 2021, two units were sold and six units were subject to a promise of sale agreement. The projected revenue from the sale of the units forming part of this project is that of €3.5 million.

6. THE RESERVE ACCOUNT

All sales of units, including residential units and garages/car spaces, forming part of the Hypothecated Property shall be made on condition that units are released of all hypothecary rights and privileges encumbering the units being sold. For this purpose, the Security Trustee shall be empowered to release individual units of the Hypothecated Property from the security interest encumbering such unit/s upon receipt by it from the Issuer or from a prospective purchaser of a fixed amount of the purchase price attributed to each unit forming part of the Hypothecated Property.

All amounts received by the Trustee from the sales proceeds of units, forming part of the Hypothecated Property, shall be credited to the Reserve Account and shall be retained for the purpose of redeeming the 2016 Bonds, 2019 Bonds, 2020 Bonds and, or the 2021 Bonds (as the case may be) on maturity. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the directors of the Issuer are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the outstanding Bonds on maturity.

7. TREND INFORMATION AND BUSINESS STRATEGY

7.1 MALTA ECONOMIC UPDATE

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, the authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.¹

¹ International Monetary Fund – Malta (IMF Country Report No. 21/211, September 2021).



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Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

The authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.

7.2 PROPERTY MARKET

During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart² below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

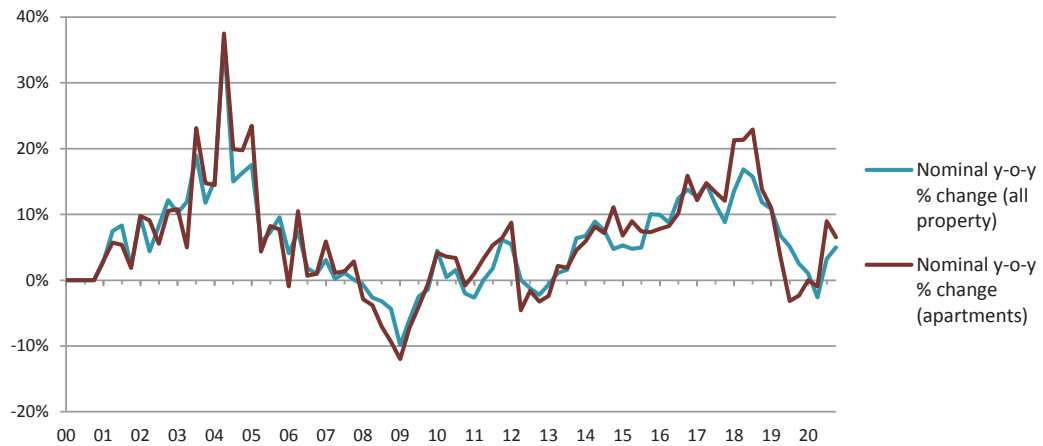
The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020, prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

² <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).



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CHART I: Change in Property Prices

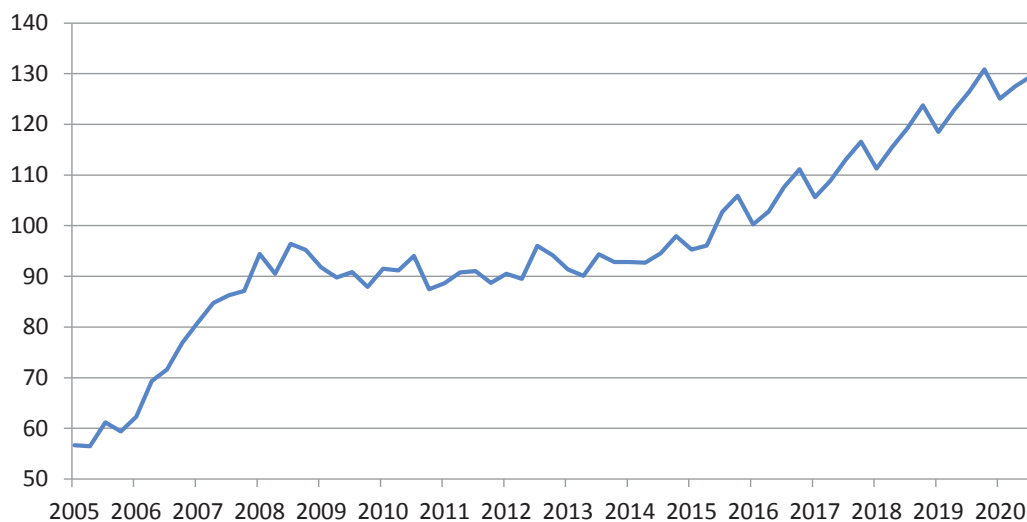


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta³ – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

³ <https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40> (the data is expressed as quarterly index (2015 = 100)).



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Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.⁴

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 and Budget 2022 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

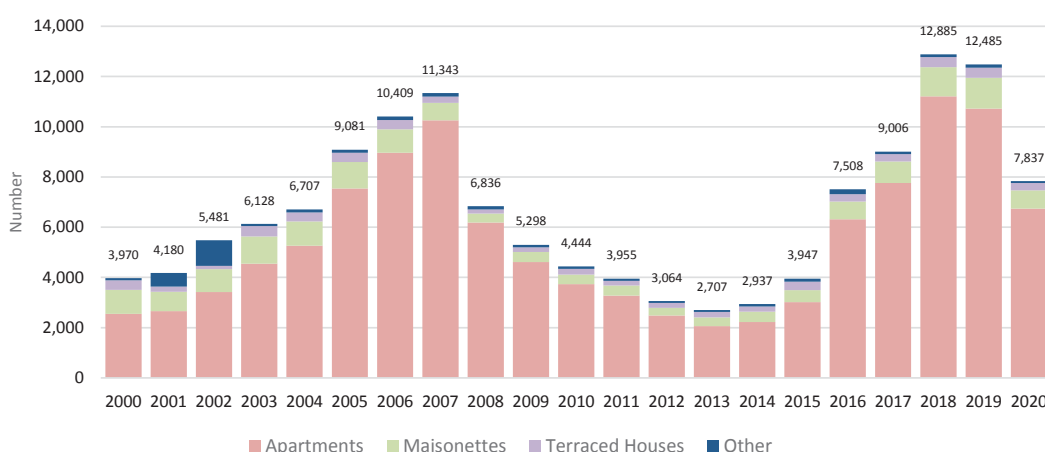
In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

In the third quarter of 2021, 3,564 final deeds of sale were registered, an annual increase of 16.4 (Q3 2020: 3,063 deeds). The value of deeds registered during this period rose by 37.1% over the same quarter of the previous year and amounted to €788.8 million. In Q3 2021, the number of promise of sale agreements reached 2,984. This represents an annual decrease of 14.6%. Over the 9-month period to 30 September 2021, 10,440 final deeds of sale were registered compared to 7,908 a year earlier (+32%), which had an aggregate value amounting to €2,262.7 million (2020: €1,503.3 million). The principal reason for the significant variance between Q1 to Q3 2021 and Q1 to Q3 2020 is the disruption in business activities caused by the pandemic during FY2020 but particularly during the lock down period in Q2 2020.⁵

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to a 37% decline in permits issued in 2020 compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

CHART III: Development Permits for Dwellings (number of units)



Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors were impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting short to medium term adverse effect on the Maltese economy and market sentiment.

⁴ Central Bank of Malta Quarterly Review 2020:1 (page 43).

⁵ https://nso.gov.mt/en/News_Releases/Documents/2021/10/News2021_186.pdf



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7.3 STRATEGY

The Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

The strong response from investors for the Group's latest projects - Mellieha Development and the Luqa Development - has shown that there is steady demand for real estate in Malta, which continues to support the current level of prices, notwithstanding the rise in the number of developments undertaken in Malta in the last few years and others which are due to commence in the near term, over and above the uncertainties that continue to persist as a consequence of the COVID-19 pandemic.

In view of the above, the Directors are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy will continue to gradually return to pre-COVID 19 levels within a short period of time without adversely impacting business confidence, primary industries such as hospitality, and disposable incomes.

In the immediate term, Gap Group will be principally focused on completing the Luqa Development and will continue to market the remaining units available for sale at the Luqa Development and the Mellieha Development. At the same time, the Group will direct resources towards the development and sale of units relating to its latest projects in Marsascala, San Pawl tat-Tarġa, Birkirkara, Qawra II Development and Mosta Development.



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PART 2 – GAP GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO THE 2016 BOND GUARANTOR AND 2019 BOND GUARANTORS

8.1 GAP MELLIEHA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2018 to 31 December 2020.

Gap Mellieha (I) Limited

Income Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Revenue	16,193	12,953	13,016
Cost of sales	(10,390)	(8,111)	(5,362)
Administrative expenses	(1,012)	(630)	(635)
Operating profit	4,791	4,212	7,019
Net finance costs	(1,056)	(1,109)	(2,940)
Profit/(loss) before tax	3,735	3,103	4,079
Taxation	(1,256)	(1,003)	(790)
Total comprehensive income for the year	2,479	2,100	3,289

Gap Mellieha (I) Limited

Cash Flow Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Net cash used in operating activities	(3,419)	(2,853)	18,890
Net cash from investing activities	106	103	93
Net cash from financing activities	3,800	2,796	(19,480)
Net movement in cash and cash equivalents	487	46	(497)
Cash and cash equivalents at beginning of period/year	14	501	547
Cash and cash equivalents at end of year	501	547	50



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Gap Mellieha (I) Limited

Balance Sheet

as at

	31 Dec'18	31 Dec'19	31 Dec'20
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets			
Loans and other receivables	2,404	2,534	-
	<u>2,404</u>	<u>2,534</u>	<u>-</u>
Current assets			
Inventory - development project	14,503	13,640	8,350
Trade and other receivables	12,941	20,419	1,997
Cash and cash equivalents	501	547	50
	<u>27,945</u>	<u>34,606</u>	<u>10,397</u>
Total assets	<u>30,349</u>	<u>37,140</u>	<u>10,397</u>
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	2,473	4,573	7,861
	<u>2,474</u>	<u>4,574</u>	<u>7,862</u>
LIABILITIES			
Current liabilities			
Other financial liabilities	19,170	22,119	200
Other current liabilities	8,705	10,447	2,335
	<u>27,875</u>	<u>32,566</u>	<u>2,535</u>
Total equity and liabilities	<u>30,349</u>	<u>37,140</u>	<u>10,397</u>

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units from the Mellieha Development, representing 27% of the total residential units to be developed. Total comprehensive income for the year amounted to €2.5 million. As at year end, a further 37 residential units were subject to preliminary sale agreements.

The asset side of the balance sheet as at 31 December 2018 included inventory (work-in-progress on development projects) amounting to €14.5 million (FY2017: €16.4 million), whilst liabilities mainly comprised capital creditors (primarily GGCL) of €19.1 million (FY2017: €15.3 million) and advance deposits amounting to €2.6 million (FY2017: €1.3 million).

Revenue generated by GML in FY2019 amounted to €13.0 million, compared to €16.2 million in FY2018, from the sale of 36 residential units (FY2018: 43 units). Accordingly, a total of 79 units have been sold out of a total of 159 residential units, and a further 24 units were subject to promise of sale agreements. Profit for the year decreased from €2.5 million in FY2018 to €2.1 million in FY2019.

As at 31 December 2019, the first seven blocks were fully complete, while Blocks A, B and C were 100% complete in terms of construction and finishing works were 95% complete. Inventory as at year end amounted to €13.6 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €23.0 million.



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Capital creditors (primarily GGCL) as at 31 December 2019 amounted to €22.1 million and advance deposits amounted to €1.3 million.

Revenue generated by GML in FY2020 amounted to €13.0 million, compared to €13.0 million in FY2019, from the sale of 38 residential units (FY2019: 36 units). Accordingly, a total of 117 units have been sold out of a total of 159 residential units, and a further 28 units were subject to promise of sale agreements. Profit for the year increased from €2.1 million in FY2019 to €3.3 million in FY2020.

As at 31 December 2020, the project was fully developed. Inventory as at year end amounted to €8.4 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €1.9 million.

Capital creditors (primarily GGCL) as at 31 December 2020 amounted to €200,279 and advance deposits amounted to €0.5 million.

8.2 GAP LUQA LIMITED

The historical financial information about GLL is included in the audited financial statements for the financial years ended 31 December 2018 to 2020.

Gap Luqa Limited

Income Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Revenue	2,002	11,819	9,316
Cost of sales	(1,185)	(6,533)	(4,850)
Administrative expenses	(33)	(552)	(285)
Operating profit	784	4,734	4,181
Net finance costs	-	(351)	(466)
Profit before tax	784	4,383	3,715
Taxation	(145)	(920)	(539)
Total comprehensive income for the year	639	3,463	3,176



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Gap Luqa Limited Cash Flow Statement for the year ended 31 December

	2018 Audited (€'000)	2019 Audited (€'000)	2020 Audited (€'000)
Net cash from (used in) operating activities	(6,690)	6,396	1,020
Net cash from investing activities	1	-	-
Net cash from (used in) financing activities	6,544	(5,816)	(1,582)
Net movement in cash and cash equivalents	(145)	580	(562)
Cash and cash equivalents at beginning of year	197	52	632
Cash and cash equivalents at end of year	52	632	70

Gap Luqa Limited Balance Sheet

As at	31 Dec'18 Audited (€'000)	31 Dec'19 Audited (€'000)	31 Dec'20 Audited (€'000)
ASSETS			
Current assets			
Inventory - development project	11,260	12,215	14,863
Trade and other receivables	9,399	8,872	8,457
Cash and cash equivalents	52	632	70
	<u>20,711</u>	<u>21,719</u>	<u>23,390</u>
Total assets	20,711	21,719	23,390
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	1,378	4,841	8,017
	<u>1,379</u>	<u>4,842</u>	<u>8,018</u>
LIABILITIES			
Non-current liabilities			
Bank loans and other financial liabilities	7,522	2,534	-
	<u>7,522</u>	<u>2,534</u>	<u>-</u>
Current liabilities			
Bank loans and other financial liabilities	8,684	7,731	11,210
Other current liabilities	3,126	6,612	4,162
	<u>11,810</u>	<u>14,343</u>	<u>15,372</u>
	<u>19,332</u>	<u>16,877</u>	<u>15,372</u>
Total equity and liabilities	20,711	21,719	23,390



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During FY2018, revenue amounted to €2.0 million and primarily comprised further sales of units from the Lija project and the disposal of a plot within the Luqa Development. GLL registered total comprehensive income for the financial year of €0.6 million.

In FY2019, revenue generated amounted to €11.8 million from the sale of 59 units forming part of the Luqa Development. Such sales contributed €4.7 million to operating profit, while net profit for the year amounted to €3.5 million.

The Luqa Development consists of 21 blocks. By 31 December 2019, the first 9 blocks were fully complete. Construction works had started on the next 6 blocks, whereas excavation works were complete in relation to the last remaining 6 blocks.

Revenue in FY2020 amounted to €9.3 million compared to €11.8 million in the prior year. Operating profit was lower on a comparable basis, from €4.7 million in FY2019 to €4.2 million. Overall, comprehensive income amounted to €3.2 million (FY2019: €3.5 million). Out of 21 blocks, 15 blocks have been fully completed. With regard to the remaining 6 blocks, construction works are expected to be completed in Q3 2021 while finishes should be completed in Q4 2021.

Total assets as at 31 December 2020 amounted to €23.4 million (FY2019: €21.7 million) and principally included inventory (work-in-progress on development project) of €14.9 million (FY2019: €12.2 million) and related party loans receivable of €8.5 million (FY2019: €8.9 million). Liabilities mainly comprised related party loans amounting to €11.2 million (FY2019: €10.3 million), advance deposits amounting to €2.1 million (FY2019: €1.4 million) and other creditors of €2.1 million (FY2019: €5.2 million).

9. PROJECTED FINANCIAL INFORMATION RELATING TO THE 2020 GUARANTOR AND 2021 GUARANTORS

9.1 GAP QM LIMITED

GQM was established on 23 September 2020 and since then has acquired the Qawra and Mosta sites and initiated development of the Qawra II Development and the Mosta Development. GQM has not published its first set of audited financial statements. The following projected financial information of GQM has been provided by management of the Issuer and covers the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022.

Gap QM Limited

Projected Income Statement

for the period/year

23 Sept'20 to 31 Dec'21 (€'000)	1 Jan'22 to 31 Dec'22 (€'000)
---------------------------------------	-------------------------------------

Administrative expenses

(25) (30)

Loss for the period/year

(25) (30)

Gap QM Limited

Projected Cash Flow Statement

for the period/year

23 Sept'20 to 31 Dec'21 (€'000)	1 Jan'22 to 31 Dec'22 (€'000)
---------------------------------------	-------------------------------------

Net cash used in operating activities

(19,020) (7,780)

Net cash from financing activities

20,000 7,600

Net movement in cash and cash equivalents

980 (180)

Cash and cash equivalents at beginning of period/year

- 980

Cash and cash equivalents at end of period/year

980 800



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Gap QM Limited Projected Balance Sheet As at 31 December

	2021 (€'000)	2022 (€'000)
ASSETS		
Current assets		
Inventory - development project	20,000	27,750
Cash and cash equivalents	980	800
	<u>20,980</u>	<u>28,550</u>
Total assets	<u>20,980</u>	<u>28,550</u>
EQUITY		
Capital and reserves		
Called up share capital	5	5
Retained earnings	(25)	(55)
	<u>(20)</u>	<u>(50)</u>
LIABILITIES		
Current liabilities		
Borrowings and other financial liabilities	20,000	28,000
Other current liabilities	1,000	600
	<u>21,000</u>	<u>28,600</u>
	<u>21,000</u>	<u>28,600</u>
Total equity and liabilities	<u>20,980</u>	<u>28,550</u>

During the period under review, GQM will be principally involved in developing the Qawra II Development and the Mosta Development.

In FP2021, inventory is forecasted to amount to €20.0 million comprising the cost of acquisition of the Qawra Site II and Mosta Site amounting to €15.6 million and development costs of €4.4 million. In FY2022, development costs are expected to amount to €7.8 million and as such, inventory as at 31 December 2022 is projected at €27.8 million.

Such expenditure is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 Bonds).

9.2 GAP QAWRA LIMITED

GQL was established on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development. GQL has not commenced any trading or business activities and has not published its first set of audited financial statements. The following projected financial information of GQL has been provided by management of the Issuer and covers the period 20 October 2021 to 31 December 2022.

Gap Qawra Limited Projected Income Statement for the period 20 October 2021 to 31 December 2022

	(€'000)
Administrative expenses	(30)
Loss for the period	<u>(30)</u>



M Z I N V E S T M E N T S E R V I C E S

Gap Qawra Limited

Projected Cash Flow Statement

for the period 20 October 2021 to 31 December 2022

	(€'000)
Net cash used in operating activities	(9,525)
Net cash from financing activities	9,825
Net movement in cash and cash equivalents	300
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	300

Gap Qawra Limited

Projected Balance Sheet

As at 31 December 2022

	(€'000)
ASSETS	
Current assets	
Inventory - development project	9,500
Cash and cash equivalents	300
	9,800
Total assets	9,800
EQUITY	
Capital and reserves	
Called up share capital	5
Retained earnings	(30)
	(25)
LIABILITIES	
Current liabilities	
Borrowings and other financial liabilities	9,250
Other current liabilities	575
	9,825
Total equity and liabilities	9,800

During the period under review, GQL will be principally involved in acquiring the Qawra Site III and commence developing thereon the Qawra III Development. Such expenditure, projected at €9.5 million, is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2021 Bonds).



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10. FINANCIAL INFORMATION RELATING TO THE ISSUER

The following financial information is extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2018 to 2020. The projected consolidated financial information for the years ending 31 December 2021 and 31 December 2022 of GAP Group has been provided by management of the Issuer.

The projected financial information relates to events in the future and is based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The COVID-19 pandemic has caused disruption to businesses and economic activity which has also been reflected in volatility in the property market. Whilst the Directors believe that the pandemic may affect sales of property in the near term, they are confident that the Group has in place robust financial fundamentals and sufficient resources to enable it to meet the challenges that the pandemic may present.

GAP Group p.l.c.					
Consolidated Statement of Comprehensive Income					
for the year ended 31 December	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Revenue	30,444	28,287	23,786	51,918	30,017
Cost of sales	(21,747)	(20,500)	(13,600)	(36,720)	(21,164)
Administrative expenses	(1,701)	(1,650)	(1,167)	(1,898)	(840)
Operating profit	6,996	6,137	9,019	13,300	8,013
Investment income	683	729	592	298	-
Finance costs	(2,258)	(3,493)	(4,027)	(2,308)	(1,059)
Profit before tax	5,421	3,373	5,584	11,290	6,954
Taxation	(2,439)	(2,245)	(1,482)	(3,298)	(2,401)
Profit for the year	2,982	1,128	4,102	7,992	4,553
Other comprehensive income					
Movement in fair value of financial assets	191	157	(123)	153	103
Total comprehensive income for the year	3,173	1,285	3,979	8,145	4,656

Key Accounting Ratios					
	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Forecast	Projection
Operating profit margin (Operating profit/revenue)	23%	22%	38%	26%	27%
Interest cover (times) (Operating profit/net finance cost)	4.44	2.22	2.63	6.62	7.57
Interest cover 2 (times) (Operating profit/finance cost)	3.10	1.76	2.24	5.76	7.57
Net profit margin (Profit after tax/revenue)	10%	4%	17%	15%	15%
Earnings per share (€) (Profit after tax/number of shares)	1.19	0.45	1.64	3.20	1.82
Return on equity (Profit after tax/shareholders' equity)	30%	10%	27%	38%	18%
Return on capital employed (Operating profit/total assets less current liabilities)	14%	8%	10%	13%	11%
Return on assets (Profit after tax/total assets)	5%	1%	4%	7%	5%

Source: MZ Investment Services Limited



M Z I N V E S T M E N T S E R V I C E S

In FY2018, the Group generated revenues of €30.4 million as compared to €15.0 million a year earlier, mainly from sales contracts for units in the Mellieha Development as to €16.2 million and the remaining amount principally from the Qawra Development and Gharghur Development. Operating profit increased from €2.9 million in FY2017 to €7.0 million, while comprehensive income amounted to €3.2 million in FY2018 (FY2017: €0.7 million).

During FY2019, the Gap Group was principally involved in the construction and development of the following projects:

- Mellieha Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, 9 blocks were fully complete, while construction works on another 6 blocks have commenced. Development of the final 6 blocks will start later in that year. It is envisaged that the project will be completed in its entirety by Q4 2021.

Furthermore, in FY2019, the Group acquired another 3 sites in Marsascula, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.

In the afore-mentioned financial year, the Group generated aggregate revenue of €28.3 million, a decrease of €2.2 million when compared to the prior year. Revenue was principally derived from the sale of units forming part of the Mellieha Development and the Luqa Development. Operating profit was lower on a comparable basis by €0.9 million and amounted to €6.1 million. In FY2019, net finance costs (being investment income less finance costs) were materially higher from FY2018 by 75% to €2.8 million, which adversely impacted net profit for the year. An amount of circa €1 million in finance costs was a one-off item and resulted from the premium paid by the Issuer to holders of the 2016 Bonds who had opted to exchange same to the 2019 Bonds. Overall, GAP Group reported total comprehensive income for FY2019 of €1.3 million compared to €3.2 million in FY2018.

In FY2020, the Group generated revenue amounting to €23.8 million compared to €28.3 million in FY2019 (-16%). Approximately 55% of revenue was derived from sales of units forming part of the Mellieha Development and circa 39% from the Luqa Development. Operating profit for the year amounted to €9.0 million, an increase of €2.9 million from a year earlier, and total comprehensive income amounted to €4.0 million (FY2019: €1.3 million).

Operating profit margin improved from 22% in FY2019 to 38%, while net profit margin increased from 4% in FY2019 to 17%. Due to higher operating profits, interest cover increased from 2.22 times in FY2019 to 2.63 times in the last financial year. The efficiency ratios being a measure of a company's ability to use one's assets to generate income have also increased year-on-year. In fact, return on equity increased from 10% to 27% in FY2020, return on capital employed improved by 2 percentage points to 10% while return on assets increased from 1% in FY2019 to 4%. This positive trend is expected to continue in FY2021 and FY2022.

In FY2021, the Group expects revenue to more than double from €23.8 million in FY2020 to €51.9 million. Approximately 85% of revenue is projected to be generated from the Luqa Development and Mellieha Development, while 15% is expected to be derived from projects described in section 5.3 of this report (primarily from the Marsascula Development). As such, operating profit is projected to increase by €4.3 million (+47% y-o-y) to €13.3 million (FY2020: €9.0 million), and comprehensive income is expected to increase by 105% to €8.1 million (FY2020: €4.0 million).

Revenue in FY2022 is projected to amount to €30.0 million compared to €51.9 million in the prior year. Management is assuming that during the said financial year the Group will complete the sale of all remaining units forming part of the Mellieha Development, Luqa Development, Marsascula Development, San Pawl tat-Tarġa Development and Birkirkara Development. At an operating profit margin of 27% (FY2021: 26%), the Group is expected to generate an operating profit of €8.0 million (FY2021: €13.3 million). Overall, total comprehensive income for FY2022 is projected at €4.7 million compared to €8.1 million in FY2021.



MZ INVESTMENT SERVICES

GAP Group p.l.c.

Consolidated Statement of Financial Position

as at 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	30	32	23	22	22
Investments	2,145	6,012	6,097	6,597	-
Loans and other receivables	11,583	10,111	10,382	10,657	10,952
Sinking fund	3,975	24	6,480	8,474	-
	<u>17,733</u>	<u>16,179</u>	<u>22,982</u>	<u>25,750</u>	<u>10,974</u>
Current assets					
Inventory - development project	22,786	48,958	62,649	53,607	44,486
Trade and other receivables	387	2,553	4,303	4,419	4,226
Cash and cash equivalents	624	7,698	2,060	15,766	20,843
Sinking fund	13,707	12,498	11,901	16,121	3,849
	<u>37,504</u>	<u>71,707</u>	<u>80,913</u>	<u>89,913</u>	<u>73,404</u>
Total assets	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>115,663</u>	<u>84,378</u>
EQUITY					
Capital and reserves					
Called up share capital	2,500	2,500	2,500	2,500	2,500
Other capital	2,900	3,057	2,934	2,500	2,500
Retained earnings	4,469	5,598	9,700	15,779	20,435
	<u>9,869</u>	<u>11,155</u>	<u>15,134</u>	<u>20,779</u>	<u>25,435</u>
LIABILITIES					
Non-current liabilities					
Borrowings and other financial liabilities	5	6,141	7,737	7,642	3,344
Debt securities	39,473	56,991	69,864	74,291	45,369
	<u>39,478</u>	<u>63,132</u>	<u>77,601</u>	<u>81,933</u>	<u>48,713</u>
Current liabilities					
Bank overdrafts	7	-	500	-	-
Borrowings and other financial liabilities	111	2,610	657	181	181
Other current liabilities	5,772	10,989	10,003	12,770	10,049
	<u>5,890</u>	<u>13,599</u>	<u>11,160</u>	<u>12,951</u>	<u>10,230</u>
	<u>45,368</u>	<u>76,731</u>	<u>88,761</u>	<u>94,884</u>	<u>58,943</u>
Total equity and liabilities	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>115,663</u>	<u>84,378</u>



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Key Accounting Ratios

	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Projection
Gearing ratio (Total net debt/net debt and shareholders' equity)	66%	78%	78%	63%	49%
Gearing ratio 2 (times) (Total net debt/shareholders' equity)	1.94	3.54	3.45	1.69	0.95
Net debt to Operating profit (years) (Net debt/Operating profit)	2.74	6.44	5.79	2.64	3.02
Net assets per share (€) (Net asset value/number of shares)	3.95	4.46	6.05	8.31	10.17
Liquidity ratio (times) (Current assets/current liabilities)	6.37	5.27	7.25	6.94	7.18

Source: MZ Investment Services Limited

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieha Development. Liquid assets (including sinking fund and cash) amounted to €20.4 million (FY2017: €12.1 million). Other assets mainly comprise loans due from related parties of €11.6 million (FY2017: €10.2 million). As to liabilities, the Group had outstanding €40 million in 4.25% secured bonds due 2023, advance deposits amounting to €3.3 million and capital creditor balances of €1.7 million.

The Group's balance sheet as at 31 December 2019 included total assets amounting to €87.9 million, made up of inventory (being acquisition of sites in Marsascala, San Pawl Tat-Tarġa and Birkirkara and works-in-progress on property developments) of €49.0 million, related party balance of €12.7 million and cash balances amounting to €20.2 million. Moreover, an amount of €6.0 million represented investments in various corporate bonds.

Liabilities principally included debt securities of €57.0 million, while bank loans and other financial liabilities amounted to €8.8 million. Shareholders' equity as at 31 December 2019 amounted to 11.2 million compared to €9.9 million a year earlier. Within shareholders' equity, other capital amounting to €3.1 million comprises a shareholders' loan of €2.5 million. This loan is classified as quasi equity since it is interest free and only repayable to the shareholders after the settlement of amounts due to bondholders.

In FY2020, the Group raised €21 million through the issue of the 2020 Bonds, of which, €15 million of proceeds was used to acquire the Qawra Site II and the Mosta Site. The remaining balance was utilised to settle capital creditor balances and to part fund ongoing development costs in relation to the Qawra II Development and the Mosta Development. Inventory increased from €49.0 million in FY2019 to €62.6 million, while cash balances (including sinking fund amounts) increased from €20.2 million in FY2019 to €20.4 million.

The leverage of the Group (gearing) remained stable in FY2020 at 78% despite the increase in borrowings. The liquidity ratio was at 7.25 times particularly in view of the significant amount of property inventory held in current assets, while the majority of borrowings are non-current liabilities repayable after more than 1 year. Furthermore, net assets per share increased from €4.46 in FY2019 to €6.05 in FY2020.

Total assets as at 31 December 2021 is forecasted to amount to €115.7 million compared to €103.9 million in the prior year. Inventory is projected at €53.6 million (FY2020: €62.6 million) and comprises the Qawra Site III which is expected to be acquired in December 2021 for the consideration of circa €8 million. Due to the substantial turnover forecasted for FY2021, cash balances are expected to double on y-o-y basis from €20.4 million in FY2020 to €40.4 million.

The Group's equity is projected to increase by 37% from €15.1 million in FY2020 to €20.8 million, mainly due to a projected y-o-y increase of €6.1 million in retained earnings to €15.8 million.

Total liabilities of the Group mainly comprise debt securities and are projected to increase by €6.1 million (y-o-y) to €94.9 million. Notwithstanding the said increase, the gearing ratio is expected to decrease from 78% in FY2020 to 63% primarily on account of the above-mentioned increase in cash balances and retained earnings.



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In FY2022, equity is projected to increase further by 61% to €25.4 million while total liabilities are expected to decrease y-o-y by €35.9 million due to the redemption of the 2019 Bonds. Inventory as at 31 December 2022 is expected to include the Qawra Site II, the Mosta Site, the Qawra Site III and construction thereon.

GAP Group p.l.c.

Consolidated Cash Flow Statement for the year ended 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Net cash from (used in) operating activities	7,489	(20,317)	(10,862)	22,271	14,081
Net cash from (used in) investing activities	6,939	(1,206)	507	468	110
Net cash from (used in) financing activities	(1,285)	27,395	3,620	(4,313)	(21,386)
Net movement in cash and cash equivalents	13,143	5,872	(6,735)	18,426	(7,195)
Cash and cash equivalents at beginning of year	1,181	14,324	20,196	13,461	31,887
Cash and cash equivalents at end of year	14,324	20,196	13,461	31,887	24,692

Net cash outflow from operating activities in FY2020 amounted to €10.9 million compared to cash outflows of €20.3 million in FY2019. The cash outflow in FY2020 was mainly due to a y-o-y increase of €13.7 million in property inventory. Net cash from investing activities amounted to €0.5 million (FY2019: cash used in investing activities of €1.2 million) and primarily represented investment income.

Net cash from financing activities in FY2020 amounted to €3.6 million which was principally raised from issuance of bonds and bank loan facilities. In FY2020, net movement in cash and cash equivalents amounted to €6.7 million (adverse balance) compared to €5.9 million in FY2019 (positive balance).

Net movement in cash and cash equivalents in FY2021 is projected at €18.4 million (FY2020: adverse balance of €6.7 million). Net cash from operating activities is expected to amount to €22.3 million, primarily on account of cash inflows from final sale contracts. Net cash from investing activities is expected to amount to €0.5 million compared to inflows of €0.5 million in the prior year. Net cash used in financing activities is estimated at €4.3 million.

In FY2022, the Group is projected to generate €14.1 million of net cash from operating activities, while net cash outflows from financial activities of €21.4 million primarily comprises the repayment of capital relating to the 2019 Bonds on maturity date.

Reserve Account

In terms of the respective prospectus, the Issuer is required to build a sinking fund, the value of which will, by the redemption dates of the respective bonds, be equivalent to 100% of the outstanding value of bonds. Below is a table outlining the actual and expected balance to be held in the reserve account as at the end of the financial years indicated hereunder.

Contributions to Reserve Account as at 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
4.25% Secured Bonds 2023	17,682	17,712	18,405	3,849	3,849
3.65% Secured Bonds 2022		822	1,700	27,343	
3.70% Secured Bonds 2023 - 2025			4,373		
	17,682	18,534	24,478	31,192	3,849

The 3.70% Secured Bonds 2023 – 2025 was listed in December 2020 and as at year end the balance of net proceeds held by the Security Trustee amounted to €4.4 million. This amount is expected to be released to the Group during FY2021 for the purposes of financing the developments in Mosta and Qawra. As such, the balance on the reserve account as at 31 December 2021 with respect to this bond issue is expected to be nil.



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11. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between: (i) the forecast financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the audited consolidated financial statements for the year ended 31 December 2020; and (ii) the forecast financial information for the year ending 31 December 2021 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the updated forecast financial information for the year ending 31 December 2021.

GAP Group p.l.c.						
Consolidated Statement of Comprehensive Income						
for the year ended 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	€'000	Variance	€'000	€'000	Variance
			€'000			€'000
Revenue	23,786	24,953	(1,167)	51,918	54,900	(2,982)
Cost of sales	(13,600)	(16,558)	2,958	(36,720)	(40,692)	3,972
Administrative expenses	(1,167)	(1,105)	(62)	(1,898)	(840)	(1,058)
Operating profit	9,019	7,290	1,729	13,300	13,368	(68)
Investment income	592	480	112	298	489	(191)
Finance costs	(4,027)	(1,639)	(2,388)	(2,308)	(1,822)	(486)
Profit before tax	5,584	6,131	(547)	11,290	12,035	(745)
Taxation	(1,482)	(1,830)	348	(3,298)	(4,392)	1,094
Profit for the year	4,102	4,301	(199)	7,992	7,643	349
Other comprehensive income						
Movement in fair value of financial assets	(123)	95	(218)	153	129	24
Total comprehensive income for the year	3,979	4,396	(417)	8,145	7,772	373

FY2020: Actual operating profit was higher than forecast by €1.7 million due to lower cost of sales of €3.0 million which positive variance was diluted by lower than expected revenue of €1.2 million. Actual finance costs amounted to €4.0 million compared to a forecast figure of €1.6 million. This adverse variance was due to the fact that finance costs capitalised to inventory (development works in progress) was lower than forecasted. Overall, total comprehensive income for the year was lower than anticipated by €0.4 million.

FY2021: Total comprehensive income for the year has been revised upwards by €0.4 million. Further analysis shows that revenue is expected to be lower than initially projected by €3.0 million mainly on account of timing to conclude sale contracts. On the other hand, the Group is expected to reduce cost of sales by €4.0 million but administrative expenses are set to increase by €1.1 million, thus resulting in a negligible change in operating profit of -€68,000.

GAP Group p.l.c.						
Consolidated Cash Flow Statement						
for the year ended 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	€'000	Variance	€'000	€'000	Variance
			€'000			€'000
Net cash from (used in) operating activities	(10,862)	(9,805)	(1,057)	22,271	29,858	(7,587)
Net cash from (used in) investing activities	507	303	204	468	489	(21)
Net cash from (used in) financing activities	3,620	21,345	(17,725)	(4,313)	4,780	(9,093)
Net movement in cash and cash equivalents	(6,735)	11,843	(18,578)	18,426	35,127	(16,701)
Cash and cash equivalents at beginning of year	20,196	20,196	-	13,461	32,039	(18,578)
Cash and cash equivalents at end of year	13,461	32,039	(18,578)	31,887	67,166	(35,279)

FY2020: Actual net movement in cash and cash equivalents was an adverse balance of -€6.7 million compared to a forecasted positive balance of €11.8 million. The net variance of -€18.6 million emanates from higher than expected cash used in operating activities of €1.1 million due to higher inventory balances, and a lower than expected amount derived from financing activities (variance amounting to -€17.7 million) on account of lower than expected loan receivables, borrowings and other financial liabilities as well as debt securities.

FY2021: Net cash from operating activities is lower than initially projected by €7.6 million due to higher balances of inventory. Furthermore, cashflows from financing activities are expected to amount to -€4.3 million compared to the original forecast of +€4.8 million due to net repayments of debt securities. Overall, net cash balances are expected to be lower than previously projected by €16.7 million.



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GAP Group p.l.c.						
Consolidated Statement of Financial Position						
as at 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	FAS Nov'20	Variance	€'000	FAS Nov'20	Variance
		€'000	€'000		€'000	€'000
ASSETS						
Non-current assets						
Property, plant and equipment	23	27	(4)	22	27	(5)
Investments	6,097	6,189	(92)	6,597	6,189	408
Loans and other receivables	10,382	12,931	(2,549)	10,657	13,060	(2,403)
Sinking fund	6,480	-	6,480	8,474	-	8,474
	<u>22,982</u>	<u>19,147</u>	<u>3,835</u>	<u>25,750</u>	<u>19,276</u>	<u>6,474</u>
Current assets						
Inventory - development project	62,649	59,483	3,166	53,607	36,294	17,313
Trade and other receivables	4,303	887	3,416	4,419	887	3,532
Cash and cash equivalents	2,060	10,622	(8,562)	15,766	21,209	(5,443)
Sinking fund	11,901	21,417	(9,516)	16,121	45,957	(29,836)
	<u>80,913</u>	<u>92,409</u>	<u>(11,496)</u>	<u>89,913</u>	<u>104,347</u>	<u>(14,434)</u>
Total assets	103,895	111,556	(7,661)	115,663	123,623	(7,960)
EQUITY						
Capital and reserves						
Called up share capital	2,500	2,500	-	2,500	2,500	-
Other capital	2,934	3,030	(96)	2,500	3,030	(530)
Retained earnings	9,700	10,021	(321)	15,779	17,792	(2,013)
	<u>15,134</u>	<u>15,551</u>	<u>(417)</u>	<u>20,779</u>	<u>23,322</u>	<u>(2,543)</u>
LIABILITIES						
Non-current liabilities						
Borrowings and other financial liabilities	7,737	11,242	(3,505)	7,642	4,751	2,891
Debt securities	69,864	76,423	(6,559)	74,291	88,065	(13,774)
	<u>77,601</u>	<u>87,665</u>	<u>(10,064)</u>	<u>81,933</u>	<u>92,816</u>	<u>(10,883)</u>
Current liabilities						
Bank overdrafts	500	-	500	-	-	-
Borrowings and other financial liabilities	657	1,081	(424)	181	1,081	(900)
Other current liabilities	10,003	7,259	2,744	12,770	6,404	6,366
	<u>11,160</u>	<u>8,340</u>	<u>2,820</u>	<u>12,951</u>	<u>7,485</u>	<u>5,466</u>
	<u>88,761</u>	<u>96,005</u>	<u>(7,244)</u>	<u>94,884</u>	<u>100,301</u>	<u>(5,417)</u>
Total equity and liabilities	103,895	111,556	(7,661)	115,663	123,623	(7,960)

FY2020: Actual total assets were lower than expected by €7.7 million due to lower than expected balances of cash and sinking fund reserves (-€11.6 million). Such cash amounts were utilised to reduce outstanding borrowings and debt securities. On the other hand, inventories and receivables (non-current and current) were higher by €3.2 million and €0.9 million respectively. In liabilities, borrowings and debt securities were lower than expected by €10.1 million, while current liabilities were higher than forecasted by €2.7 million. As explained above, the Group repaid *circa* €10 million worth of borrowings and debt securities which was not anticipated in the Nov'20 forecast.

FY2021: Projected total assets have been lowered by €8.0 million mainly due to lower cash balances of €26.8 million but higher inventories amounting to €17.3 million. On the liabilities side, debt securities have been reduced by €13.8 million but borrowings and current liabilities are higher than projected by €2.9 million and €6.4 million respectively. In this regard, the Group is utilising a higher amount of cash balances than previously projected to reduce outstanding debt securities.



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PART 3 - COMPARABLES

The table below compares the Issuer and its bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Issuer and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Gap Group.

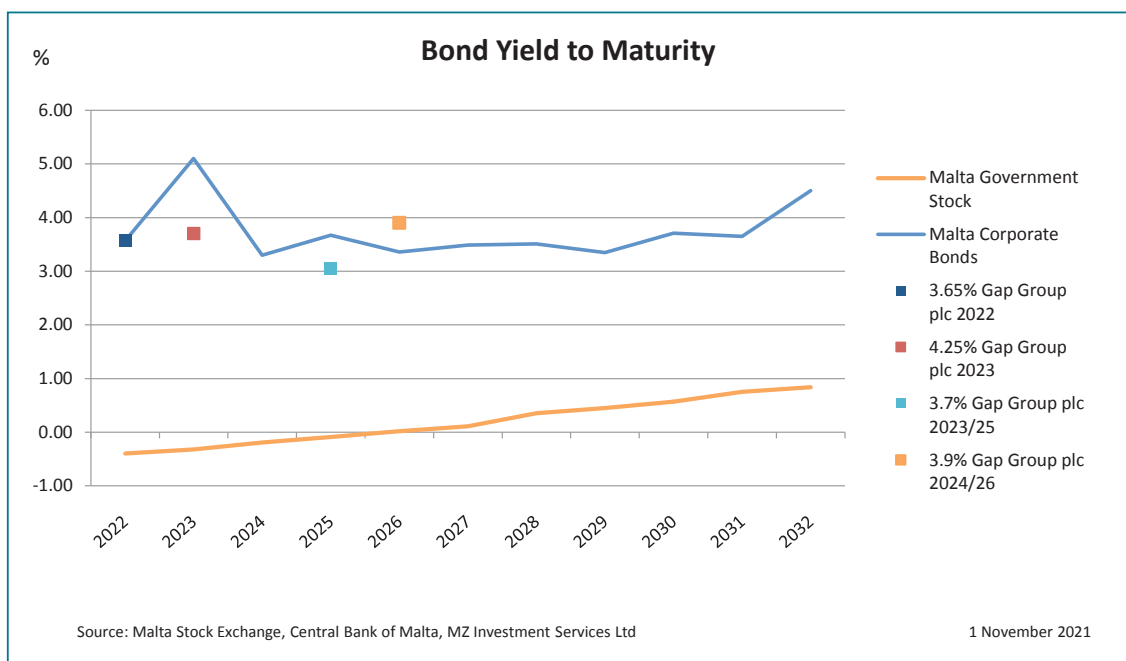
Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.52	- 0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	29,218,400	3.57	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	3.18	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	3.70	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	10,000,000	5.00	- 0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.16	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	5.54	- 0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.30	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.57	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.30	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,341,100	2.88	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.04	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.64	- 0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.21	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.67	1.46	149,639	62,675	54.94
3.9% GAP Group plc Secured € 2024-2026	21,000,000	3.90	2.24	103,895	15,134	73.44
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.36	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.30	- 0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.67	- 0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.77	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.93	0.88	328,464	131,504	30.32
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.49	- 0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.34	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.51	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.35	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.32	0.76	348,657	217,449	25.57

01-Nov-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



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To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The 2019 Bonds are trading at a yield of 3.57%, which is at par when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 397 basis points.

The 2016 Bonds are trading at a yield of 3.70%, which is circa 140 basis points lower when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 402 basis points.

The 2020 Bonds are trading at a yield of 3.04%, which is circa 63 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 313 basis points.

The 2021 Bonds have been priced at a yield of 3.90%, which is circa 54 basis points higher when compared to other corporate bonds maturing in 2026. The premium over FY2026 Malta Government Stock is 388 basis points.



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PART 4 - EXPLANATORY DEFINITIONS

INCOME STATEMENT

Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
Operating profit	Operating profit can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.

PROFITABILITY RATIOS

Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

EFFICIENCY RATIOS

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

EQUITY RATIOS

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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CASH FLOW STATEMENT

Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.

BALANCE SHEET

Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment, and loans & other receivables.
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MZ INVESTMENT SERVICES

Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Other capital	Other capital is included in total equity and mainly comprises a loan from shareholders. This loan is classified as quasi equity since it is interest free and only repayable to the shareholders after the settlement of amounts due to bondholders.
Net assets per share	Total assets less total liabilities divided by the number of equity shares in issue.

FINANCIAL STRENGTH RATIOS

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to operating profit	The net debt to operating profit ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its operating profit. This ratio shows how many years it would take for a company to pay back its debt if net debt and operating profit are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity. Shareholders' equity comprises 'other capital' as defined hereinabove.

Financial Analysis Summary

6 December 2021

ISSUER

Gap Group p.l.c. (C 75875)



MZ INVESTMENT SERVICES



M Z I N V E S T M E N T S E R V I C E S

The Directors
Gap Group p.l.c.
Gap Group Head Office
Ċensu Scerri Street
Tigné, Sliema, SLM 3060, Malta

6 December 2021

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out in the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Gap Group p.l.c. (the "**Issuer**" or "**Gap Group**"); Gap QM Limited and Gap Qawra Limited being the guarantors in relation to the issue of 3.90% secured bonds 2024 – 2026 (ISIN: MT0001231233) (the "**2021 Bond Guarantors**"); Gap QM Limited being the guarantor in relation to the issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225) (the "**2020 Bond Guarantor**"); Gap Mellieha (I) Limited and Gap Luqa Limited being the guarantors in relation to the issue of 3.65% secured bonds 2022 (ISIN: MT0001231217) (the "**2019 Bond Guarantors**"); and Gap Mellieha (I) Limited being the guarantor in relation to the issue of 4.25% secured Bonds 2023 (ISIN: MT0001231209) (the "**2016 Bond Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the years ended 31 December 2018 to 31 December 2020 has been extracted from the audited consolidated financial statements of Gap Group p.l.c.
- (b) Historical financial data has been extracted from the audited financial statements of Gap Mellieha (I) Limited (FY2018 to FY2020) and Gap Luqa Limited (FY2018 to FY2020).
- (c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2021 and 31 December 2022, the projected financial information relating to Gap QM Limited for the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022, and the projected financial information relating to Gap Qawra Limited for the period 20 October 2021 to 31 December 2022 have been provided by management.
- (d) Our commentary on the results of Gap Group and on its financial position is based on the explanations provided by management.
- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of Gap Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523, Malta
Tel: 2145 3739



MZ INVESTMENT SERVICES

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DEFINITIONS

2016 Bond(s)	the €40,000,000 4.25% secured bonds 2023 issued by the Issuer pursuant to a prospectus dated 16 September 2016 and carrying ISIN MT0001231209. The outstanding nominal value of the said bonds as at the date of this report amounts to €19,247,300;
2019 Bond(s)	the €40,000,000 3.65% secured bonds 2022 (ISIN: MT0001231217) issued by the Issuer pursuant to a prospectus dated 4 March 2019. The outstanding nominal value of the said bonds as at the date of this report amounts to €29,218,400;
2020 Bond(s)	the €21,000,000 3.70% secured bonds 2023 - 2025 (ISIN: MT0001231225) issued by the Issuer pursuant to a prospectus dated 20 November 2020. The outstanding nominal value of the said bonds as at the date of this report amounts to €21,000,000;
2021 Bond(s)	the €21,000,000 3.90% secured bonds 2024 - 2026 (ISIN: MT0001231233) to be issued by the Issuer pursuant to a prospectus dated 6 December 2021;
2016 Bond Guarantor	GML, being the guarantor in relation to the issue of the 2016 Bonds;
2019 Bond Guarantors	each of GML and GLL, being the guarantors in relation to the issue of the 2019 Bonds;
2020 Bond Guarantor	GQM, being the guarantor in relation to the issue of the 2020 Bonds;
2021 Bond Guarantors	each of GQM and GQL, being the guarantors in relation to the issue of the 2021 Bonds;
Birkirkara Development	the construction, development and finishing of a total of 14 residential units and 11 lock up garages, over a site in Birkirkara measuring 450m ² ;
Gap Group or Group	the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, GQL, GQM, MHL and GLL;
GDL	Geom Developments Limited (C 50805);
GHL	Geom Holdings Limited (C 64409);
GGCL	Gap Group Contracting Limited (C 75879);
GGF	Gap Group Finance Limited (C 54352);
GGL	Gap Gharghur Limited (C 72015);
Gharghur Development	the 34 luxury apartments (6 of which are at penthouse level) and 41 garages/car spaces, spread over 4 blocks with a variety of one, two and three bedroom units, all in a completely finished state, forming part of the development on the site in Triq Caravaggio, Gharghur, Malta measuring approximately 2,585m ² ;
GLL	Gap Luqa Limited (formerly Qawra Investments Limited) (C 32225);
GML	Gap Mellieħa (I) Limited (C 72013);
GPL	Gap Properties Limited (C 47928);
GQL	Gap Qawra Limited (C 100153);
GQM	Gap QM Limited (C 96686);
Hypothecated Property	the immovable property described hereunder, namely: (i) A cash balance amounting to the outstanding balance of 2016 Bonds is held by the Security Trustee for the benefit of the holders of the 2016 Bonds; (ii) Block B to Block E of the Mellieħa Development and Zone A to Zone E of the Luqa Development are secured in favour of the security trustee for the benefit of the holders of the 2019 Bonds; (iii) The Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2020 Bonds; (iv) The Qawra Site III, Qawra Site II and Mosta Site and all constructions to be developed thereon (namely, the Qawra III Development, Qawra II Development and Mosta Development) are secured in favour of the security trustee for the benefit of the holders of the 2021 Bonds;



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Issuer	Gap Group p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 75875 and having its registered office at Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta;
Luqa Development	the construction, development and finishing of a total of 268 apartments and 301 garages spread over 5 zones with a mix of one, two and three bedroom units over the site having a developable area of approximately 8,500m ² known as Ta' Blejkiet in Luqa;
Marsascula Development	the construction, development and finishing of a total of 63 residential units and 92 lock up garages, over a site in Marsascula measuring 2,402m ² ;
Mellieħa Development	the 159 residential units and 174 lock-up garages, spread over 10 blocks with a variety of one, two and three bedroom residential units, all in a completely finished state, over the site known as Ta' Masrija in Mellieħa measuring approximately 5,100m ² ;
Mosta Development	the construction, development and finishing of a total of 94 residential units, 4 commercial outlets and 109 car spaces, spread over 10 blocks with a variety of two and three bedroomed residential units over the Mosta Site;
Mosta Site	the site having a facade directly on Triq id-Difża Ċivili and on Triq tal-Qares in Mosta, measuring approximately 5,895m ² ;
MHL	Manikata Holdings Limited (C 53818);
Qawra I Development	the 151 residential units and 181 garages/car spaces, spread over 7 blocks, identified as Blocks A to G (both included) with a variety of one, two and three bedroom units, all in a completely finished state, forming part of the development of the site in Triq il-Portzjunkola, Qawra, Malta measuring approximately 3,508m ² ;
Qawra II Development	the construction, development and finishing of a total of 80 residential units, comprising a mix of two and four bedroomed units, and 90 lock-up garages spread over 6 blocks, over the Qawra Site II;
Qawra III Development	the construction, development and finishing of a total of 46 residential units, comprising a mix of two and three bedroomed units, and 58 lock-up garages spread over 3 blocks over Portion A, over the Qawra Site III;
Qawra Site II	the site located in Triq in-Nakkri, Qawra, measuring approximately 1,924m ² ;
Qawra Site III	the site located in Triq it-Tamar, Qawra, measuring approximately 2,375m ² and divided into Portion A and Portion B;
San Pawl Tat-Tarġa Development	the construction, development and finishing of a total of 9 residential units and 7 lock up garages, over a site in San Pawl Tat-Tarġa measuring 330m ² ; and
Security Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 29674 and having its registered office at Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta, duly authorised to act as a trustee or co-trustee in terms of article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta).



MZ INVESTMENT SERVICES

PART 1 – INFORMATION ABOUT GAP GROUP

1. KEY ACTIVITIES

1.1 INTRODUCTION

The Issuer was incorporated in June 2016 as a public limited liability company under the Companies Act (Chapter 386 of the laws of Malta) with an authorised and issued share capital of €2.5 million, fully paid up.

The Issuer's principal object is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.

As at the date of this report, the following projects are ongoing or are completed with units available for sale on the market: (i) the Mellieha Development; (ii) the Luqa Development; (iii) the Birkirkara Development; (iv) the Marsascala Development; (v) the San Pawl tat-Targa Development; (vi) the Qawra II Development; and (vii) the Mosta Development.

Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors, which has common members with the directors of the Issuer. Furthermore, the Issuer engages the services of its Subsidiary, GGCL, as the contractor responsible for the development of the immovable properties. Other than the foregoing, the Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

Through GQL, the Group is in the process of acquiring the Qawra Site III and subsequently developing the Qawra III Development.

Several projects undertaken by the Subsidiaries of the Issuer were fully and, or partly funded (as applicable) by virtue of the issue of secured bonds on the Official List of the Malta Stock Exchange. The debt securities admitted to the Official List are listed below:

- (i) In September 2016, the Issuer issued the 2016 Bonds to principally finance the Mellieha Development, the Gharghur Development and the Qawra I Development.
- (ii) In March 2019, the Issuer issued the 2019 Bonds to principally finance the Luqa Development. The 2019 Bonds entailed an exchange offer of the 2016 Bonds for the 2019 Bonds. By virtue of the issuance of the 2019 Bonds, the Issuer reduced the outstanding nominal amount of the 2016 Bonds from €40,000,000 to €19,931,000.
- (iii) In November 2020, the Issuer issued the 2020 Bonds to principally finance the Qawra II Development and the Mosta Development.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

George Muscat	Chairman and Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director
Francis X. Gouder	Independent Non-Executive Director
Mark Castillo	Independent Non-Executive Director
Chris Cilia	Independent Non-Executive Director

2.2 DIRECTORS OF THE 2016 BOND GUARANTOR, 2019 BOND GUARANTORS, 2020 BOND GUARANTOR AND 2021 BOND GUARANTORS

The following are the directors of each of **GLL**, **GML**, **QGM** and **GQL**:

George Muscat	Executive Director
Paul Attard	Executive Director
Adrian Muscat	Executive Director



M Z I N V E S T M E N T S E R V I C E S

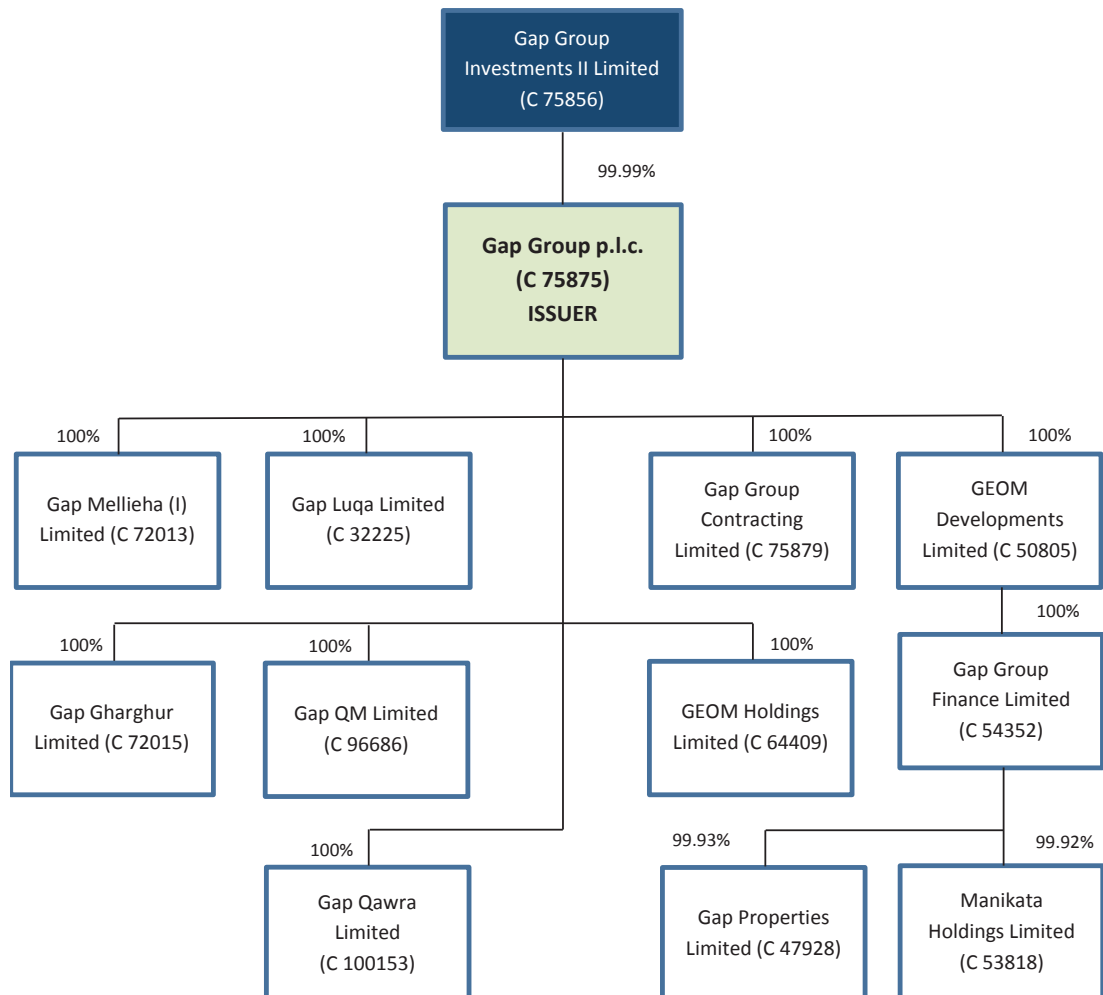
2.3 SENIOR MANAGEMENT

The Issuer itself has no employees and is managed directly by its board of directors. Each project company employs a number of management personnel and other employees devoted to managing each Project. The Group adopts a centralised management structure whereby it can deploy senior management personnel to perform duties in different parts of the Group depending on the requirements of each Group company; those services are then re-charged to the Group company where they are from time to time deployed.

Senior management of the Group is engaged by GGCL, the members of which are the following:

George Muscat	Chairman
Paul Attard	Director of Sales and Marketing
Adrian Muscat	Director of Sites
Keith Fenech	Chief Financial Officer
Raymond Grixti	Project Manager
Chris Gauci	Sales Manager
Elton Deguara	Sales Manager

3. ORGANISATIONAL STRUCTURE



The organisational structure of the Gap Group is depicted above. The Group is equally owned by three individual shareholders, namely, Paul Attard, Adrian Muscat and George Muscat, through Gap Group Investments II Limited (C 75856). Each of GML, GPL, GGL, GDL, GHL, GLL and QQM are project companies each entrusted with the construction and development of real-estate projects which, as at the date of this report, have been completed or are ongoing.



M Z I N V E S T M E N T S E R V I C E S

3.1 2021 BOND GUARANTORS

3.1.1 Gap Qawra Limited

GQL is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 100153, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQL has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQL was set up on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development.

3.1.2 Gap QM Limited

GQM is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 96686, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GQM has an authorised share capital of €5,000 (five thousand Euro) and an issued share capital of €5,000 (five thousand Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GQM was set up on 23 September 2020 to acquire the Qawra Site II and Mosta Site and develop the Qawra II Development and Mosta Development.

3.2 2020 BOND GUARANTOR

3.2.1 Gap QM Limited

See section 3.1.2 above.

3.3 2019 BOND GUARANTORS

3.3.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 32225, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GLL has an authorised share capital of €4,658.75 (four thousand six hundred fifty eight Euro and seventy five cents) divided into 2,000 ordinary shares of €2.329373 each, and an issued share capital of €1,397.62 (one thousand three hundred ninety seven Euros and sixty two cents) divided into 600 Ordinary Shares of €2.329373 each, fully paid up. GLL was set up on 10 October 2003 to operate any land and/or buildings it acquires.

3.3.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the Companies Act with company registration number C 72013, having its registered office at GAP Holdings Head Office, Ċensu Scerri Street, Tigné, Sliema, SLM 3060, Malta. GML has an authorised share capital of €1,200 (one thousand two hundred Euro) and an issued share capital of €1,200 (one thousand two hundred Euro) divided into ordinary shares of €1 (one Euro) each, fully paid up. GML was set up on 26 August 2015 to acquire the site and develop the Mellieħa Development.

3.4 2016 BOND GUARANTOR

3.4.1 Gap Mellieħa (I) Limited

See section 3.3.2 above.

4. THE PROJECTS

4.1 QAWRA II DEVELOPMENT

In Q4 2020, GQM acquired a building site located in Triq in-Nakkri, Qawra (in the limits of St Paul's Bay) for a consideration of €4.6 million. The site has a superficial area of approximately 1,924m² which, on completion, shall comprise 6 blocks of apartments consisting, in aggregate, of 80 apartments.



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The Qawra II Development shall be spread over eight levels and shall include 90 lock-up garages spread over two underground levels. The combined gross floor space of the apartments and garages shall consist of an area of 16,810m². The apartments shall be sold in a complete state and will comprise a mix of two and four bedrooled residential units. Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The village of Qawra is located in the northern part of Malta. Being a coastal village, Qawra is a popular tourist destination but is also attractive to locals seeking to purchase a summer home or a reasonably priced residency. The Qawra II Development will include a mix of two and four bedrooled apartments, measuring approximately 120m² to 210m², and have been priced to target primarily first-time buyers and buy-to-let investors. The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra II Development to a market where the Directors believe demand will remain strong.

The overall costs of construction and finishings of the Qawra II Development, excluding the cost of acquisition of the Qawra Site II, is expected to be in the region of €7.6 million. Construction commenced in Q1 2021 and such works are envisaged to be completed by Q1 2022. The project including finishing works is expected to be finalised by Q1 2023. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €7.6 million. Payment under the said contract is being settled by GQM according to agreed fixed monthly payments.

Projected revenues to be generated from the sale of units of the Qawra II Development is expected to amount to €18.5 million (net of sales commissions).

4.2 MOSTA DEVELOPMENT

In Q4 2020, GQM acquired a building site located directly on Triq id-Difiza Ċivili and on Triq tal-Qares, in Mosta, for a consideration of €10.1 million. The site has a superficial area of *circa* 5,895m² which on completion, shall comprise 94 apartments spread over 10 blocks.

The Mosta Development shall be spread over four levels and shall include 109 parking spaces, spread over one underground level, as well as four commercial units. The combined gross floor space of the apartments and garages shall consist of a saleable area of 20,208m². The apartments shall be sold in a complete state, including all common areas except for the commercial units which will be sold in shell form internally and finished externally. Each block shall have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. Furthermore, the penthouses at the topmost level of each block, shall be owned by third parties and shall include full ownership of the respective roof and airspace.

The village of Mosta is located in the northern region of Malta and is sought after by locals for the purposes of their primary residence. Mosta is a relatively large town which boasts of historical sites, shopping centres and other amenities. The Mosta Development is located on the outskirts of Mosta in a quieter area of the village. The project targets two different segments of prospective buyers. The majority of the development (68% of the Mosta Development) is targeted at the medium segment of the market. Such part of the development consists of two to three bedrooled apartments which have an approximate square meterage of 120m² – 165m² per apartment. The remainder of the development (32% of the Mosta Development) is targeted at the medium to high segment of the market. Such part of the development consists of larger apartments having a square meterage of 200m² per apartment, with each apartment enjoying unobstructed valley and distant views and is targeted at the medium to high segment of the market.

The overall construction and finishing expenditure of the Mosta Development is expected to be in the region of €9.1 million. Preparation works under the supervision of the Superintendent of Cultural Heritage commenced in December 2020. Construction is envisaged to be completed by Q3 2022 and fully finished by Q1 2023. Development works are being carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €9.1 million.

Projected revenues to be generated from the sale of units of the Mosta Development is expected to amount to €29.4 million (net of sales commissions).



M Z I N V E S T M E N T S E R V I C E S

4.3 QAWRA III DEVELOPMENT

On 20 October 2021, GQL acquired the rights under a preliminary agreement dated 18 February 2021 related to the sale and transfer of the temporary utile dominium of the Qawra Site III. In terms of the said preliminary agreement so assigned in GQL's favour, GQL agreed to purchase and acquire the temporary utile dominium for the remaining period of 107 years out of the original grant of 150 years granted on the 6 July 1978 of Qawra Site III for a consideration of €7,500,000. Qawra Site III has a superficial area of approximately 2,375m². GQM has allocated different uses to Qawra Site III: Portion A is earmarked for residential purposes and is the portion of Qawra Site III over which the Qawra III Development shall be developed and completed; Portion B is earmarked for touristic purposes and shall be held by the Group for resale or for future development.

Portion A – the Qawra III Development

Portion A, measuring approximately 1,395m² shall be utilised for the construction of the Qawra III Development which, on completion, shall comprise three blocks of residential units consisting of four maisonettes and two shops at ground floor, 36 apartments spread over 6 floors and 6 penthouses on the 7th floor which will be sold in a finished state (excluding internal doors) and including all common areas.

The Qawra III Development shall be spread over eight levels and shall include 58 lock-up garages spread over two underground levels, as well as two commercial units. The combined gross floor space of the residential units and garages shall consist of an area of 11,575m². Each block shall have separate entrances served with passenger lifts accessing both the residential units and the underlying garage levels. Furthermore, the topmost floor of each block shall consist of penthouses having full ownership of the respective roof and airspace.

The residential units will be sold in a completed state, including all common areas and will comprise a mix of two and three bedroomed residential units, measuring approximately 180m² to 210m², which shall be priced to target primarily first-time buyers and buy-to-let investors. The commercial units shall be sold in shell form internally and finished externally.

The construction of the Qawra III Development is intended to commence in Q4 2021, with construction envisaged to be completed by Q2 2023 and fully finished by Q1 2024. Development works shall be carried out by GGCL pursuant to a works contract entered into between GQL and GGCL for a value of approximately €4,300,000.

The Directors are of the view that, in the current economic conditions, the pricing strategy adopted has been designed to promote the sale of the residential units forming part of the Qawra III Development to a market where the Directors believe demand will remain strong.

Projected revenues to be generated from the sale of units of the Qawra III Development is expected to amount to €12.5 million (net of sales commissions).

Portion B – the Qawra III Development

Portion B, measuring approximately 980m², shall be retained by the Group for future development or for resale depending on market circumstances and business opportunities of the Group. Portion B is subject to a permit for the development of a hostel and its value, estimated by an independent architect, amounts to *circa* €3.4 million. As at the date of this report, the Issuer has no current intention to undertake any such development and it shall not be making any reliance on any proceeds from the sale or any development of Portion B.

5. CURRENT PROJECTS

5.1 LUQA DEVELOPMENT

In April 2017, GLL acquired the legal title over a site, including its sub-terrain and airspace, having *circa* 8,500m² of developable land in Luqa, accessible from eight streets, namely, Triq Ġorġ Zahra, Triq Tumas Galea, Triq I-Iskola, Triq Ġeraldu Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq I-Ahwa Vassallo and Triq Ġuzeppi Callus, in an area known as Ta' Blejkiet in Luqa. The site is situated in the heart of the residential area of Luqa with close and direct access to the town's village core. The public school of the village and one of the largest supermarkets in the south of Malta are also in close vicinity and directly accessible from the proposed development. Furthermore, the property is located within a few metres from the arterial road which links the Malta International Airport to the rest of the island.



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The Luqa Development is split into five zones and on completion shall comprise 21 blocks having 301 underlying lock-up garages/car spaces and 268 residential units, as detailed below.

Zone	Footprint (m ²)	Blocks (qty)	Garages/Car Spaces (qty)	Residential Units (qty)
A	2,182	6	52	69
B	951	3	21	37
C	2,800	6	137	81
D	980	2	33	38
E	1,545	4	58	43
	8,458	21	301	268

As at 30 June 2021, all five zones were fully completed. Finishing works in relation to Zone E shall be completed by Q4 2021. Total estimated development cost of the project is €17.5 million, of which, outstanding development costs to completion is *circa* €2 million. Development costs are being funded principally from net proceeds of the 2019 Bonds, deposits received pursuant to preliminary sale agreements and from proceeds receivable on signing of sale contracts. All five zones are covered by full development permits.

Development works are carried out by GGCL pursuant to a works contract entered into between GLL and GGCL for a value of approximately €17.5 million. Payment under the said contract is being settled by the company according to agreed fixed monthly payments. GLL and GGCL entered into a public deed in the records of Notary Dr Andre Farrugia and dated 14 February 2019 which makes provision for the contractual waiver by GGCL of its right at law to register a special privilege for any amount over the Luqa Development in the event of non-payment by GLL.

The project will include a mix of 1, 2 and 3 bedroomed residential units, measuring approximately 60m² to 160m², and are priced to target primarily first-time buyers and buy-to-let investors.

The units are being sold finished in a complete state, including all common areas. Each block will have separate entrances served with passenger lifts accessing both the apartments and the underlying garage levels. The finishes of each apartment will include electrical, plumbing, telephone and air conditioning installations points, gypsum plastering and two coats of white paint, floor tiles and bathrooms, and external apertures in double glazed aluminium.

To date, GLL has launched all units on the market through various real estate agents in Malta, as well as through the Group's website and other forms of social media. As at 30 June 2021, 174 units have been sold for a total revenue of €35.5 million. A further 73 units, out of a total of 268 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €16.1 million, whereas the remaining 21 units are expected to be sold for an aggregate of approximately €5.9 million.

5.2 MELLIEHA DEVELOPMENT

In October 2016, GML acquired a plot of land measuring *circa* 5,100m² with access from the three streets surrounding the property situated in the Ta' Masrija area in Mellieha over which the Mellieha Development was developed.

The Mellieha Development comprises 159 luxury apartments which are being sold finished in a complete state, including all common areas. The development encompasses 10 blocks of apartments, each with separate entrances and served with passenger lifts accessing both the apartments and underlying garage levels. The apartments at the top level also have access to roof level and enjoy full ownership thereof. The development also includes 174 lock-up underground garages spread over 3 underground levels. To date, the project is fully complete in terms of construction works and finishings.

As at 30 June 2021, 140 residential units have been sold and a further 17 units, out of a total of 159 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €7.4 million, whereas the remaining two units are expected to be sold for an aggregate of approximately €1.6 million.



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5.3 OTHER MAJOR PROJECTS

In 2019, the Group acquired 3 parcels of land located in Marsascala, San Pawl tat-Tarġa and Birkirkara, as further explained hereinbelow.

5.3.1 Marsascala Development

In 2019, GPL acquired a site measuring 2,402m² which is accessible from three streets, namely, Triq il-Kappara, Triq il-Vajrita and Triq Guzeppi Lanzon, Marsascala. Construction works commenced in Q1 2020 and are now completed. Finishing works will be completed in Q3 2021. The project comprises 63 residential units and 93 garages. Aggregate development costs, including acquisition of land, are estimated to amount to €13.9 million and are being funded from own funds and a bank loan facility.

As at 30 June 2021, 29 units were subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project is that of €18.6 million.

5.3.2 San Pawl tat-Tarġa Development

In 2019, GGL acquired a site measuring 330m², situated in Triq Jean de la Vallette, San Pawl ta-Tarġa, Naxxar over which nine residential units and eight garages shall be developed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.25 million and are being funded from own funds and a bank loan facility. As at 30 June 2021 the project was fully completed.

The residential units were placed on the market towards the end of Q3 2020 and, one unit has been contracted. The projected revenue from the sale of the units forming part of this project is that of €2.9 million.

5.3.3 Birkirkara Development

In 2019, GGL acquired a site measuring 450m², situated in Triq Qormi, Birkirkara, over which 14 residential units and nine garages shall be constructed. Aggregate development costs, including acquisition of land, are estimated to amount to €2.6 million and are being funded from own funds and a bank loan facility.

The project is fully completed and as at 30 June 2021, two units were sold and six units were subject to a promise of sale agreement. The projected revenue from the sale of the units forming part of this project is that of €3.5 million.

6. THE RESERVE ACCOUNT

All sales of units, including residential units and garages/car spaces, forming part of the Hypothecated Property shall be made on condition that units are released of all hypothecary rights and privileges encumbering the units being sold. For this purpose, the Security Trustee shall be empowered to release individual units of the Hypothecated Property from the security interest encumbering such unit/s upon receipt by it from the Issuer or from a prospective purchaser of a fixed amount of the purchase price attributed to each unit forming part of the Hypothecated Property.

All amounts received by the Trustee from the sales proceeds of units, forming part of the Hypothecated Property, shall be credited to the Reserve Account and shall be retained for the purpose of redeeming the 2016 Bonds, 2019 Bonds, 2020 Bonds and, or the 2021 Bonds (as the case may be) on maturity. In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the directors of the Issuer are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the outstanding Bonds on maturity.

7. TREND INFORMATION AND BUSINESS STRATEGY

7.1 MALTA ECONOMIC UPDATE

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, the authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.¹

¹ International Monetary Fund – Malta (IMF Country Report No. 21/211, September 2021).



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Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

The authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.

7.2 PROPERTY MARKET

During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart² below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020, prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

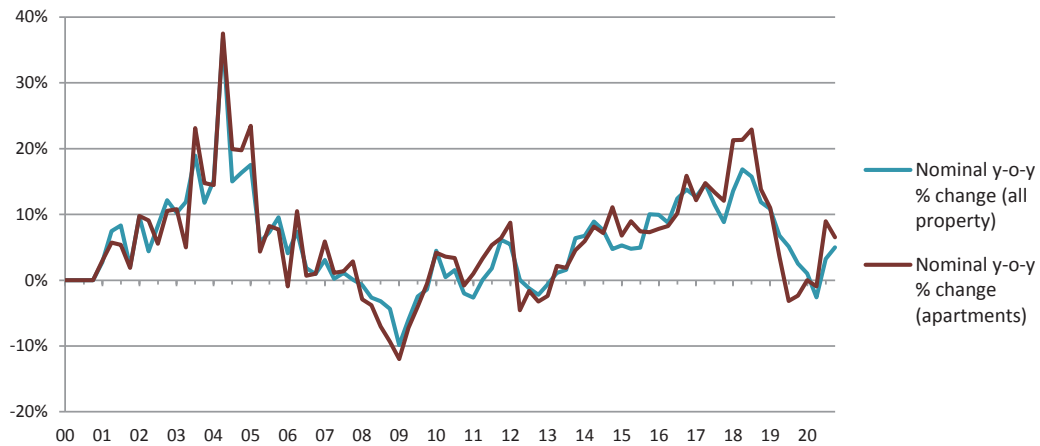
¹ Central Bank of Malta, Property Price Index

² <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).



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CHART I: Change in Property Prices

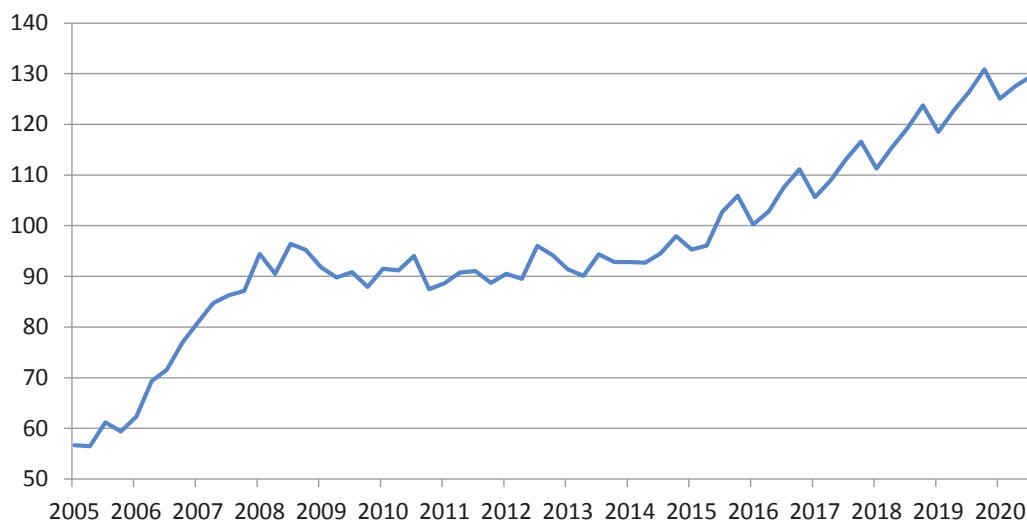


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta³ – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

³ <https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40> (the data is expressed as quarterly index (2015 = 100)).



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Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.⁴

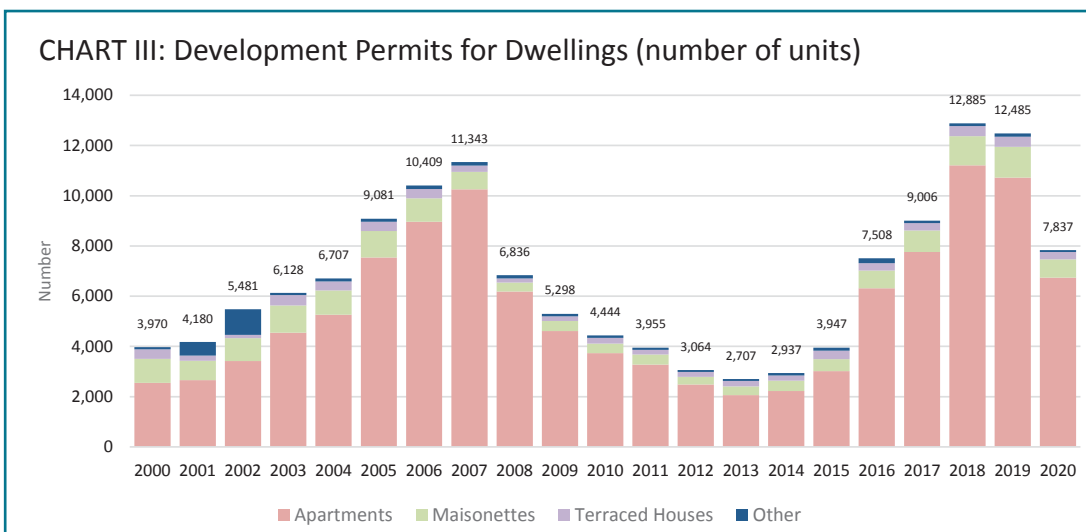
On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 and Budget 2022 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

In the third quarter of 2021, 3,564 final deeds of sale were registered, an annual increase of 16.4 (Q3 2020: 3,063 deeds). The value of deeds registered during this period rose by 37.1% over the same quarter of the previous year and amounted to €788.8 million. In Q3 2021, the number of promise of sale agreements reached 2,984. This represents an annual decrease of 14.6%. Over the 9-month period to 30 September 2021, 10,440 final deeds of sale were registered compared to 7,908 a year earlier (+32%), which had an aggregate value amounting to €2,262.7 million (2020: €1,503.3 million). The principal reason for the significant variance between Q1 to Q3 2021 and Q1 to Q3 2020 is the disruption in business activities caused by the pandemic during FY2020 but particularly during the lock down period in Q2 2020.⁵

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to a 37% decline in permits issued in 2020 compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.



Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors were impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting short to medium term adverse effect on the Maltese economy and market sentiment.

⁴ Central Bank of Malta Quarterly Review 2020:1 (page 43).

⁵ https://nso.gov.mt/en/News_Releases/Documents/2021/10/News2021_186.pdf



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7.3 STRATEGY

The Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

The strong response from investors for the Group's latest projects - Mellieha Development and the Luqa Development - has shown that there is steady demand for real estate in Malta, which continues to support the current level of prices, notwithstanding the rise in the number of developments undertaken in Malta in the last few years and others which are due to commence in the near term, over and above the uncertainties that continue to persist as a consequence of the COVID-19 pandemic.

In view of the above, the Directors are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy will continue to gradually return to pre-COVID 19 levels within a short period of time without adversely impacting business confidence, primary industries such as hospitality, and disposable incomes.

In the immediate term, Gap Group will be principally focused on completing the Luqa Development and will continue to market the remaining units available for sale at the Luqa Development and the Mellieha Development. At the same time, the Group will direct resources towards the development and sale of units relating to its latest projects in Marsascala, San Pawl tat-Tarġa, Birkirkara, Qawra II Development and Mosta Development.



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PART 2 – GAP GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO THE 2016 BOND GUARANTOR AND 2019 BOND GUARANTORS

8.1 GAP MELLIEHA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2018 to 31 December 2020.

Gap Mellieha (I) Limited

Income Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Revenue	16,193	12,953	13,016
Cost of sales	(10,390)	(8,111)	(5,362)
Administrative expenses	(1,012)	(630)	(635)
Operating profit	4,791	4,212	7,019
Net finance costs	(1,056)	(1,109)	(2,940)
Profit/(loss) before tax	3,735	3,103	4,079
Taxation	(1,256)	(1,003)	(790)
Total comprehensive income for the year	2,479	2,100	3,289

Gap Mellieha (I) Limited

Cash Flow Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Net cash used in operating activities	(3,419)	(2,853)	18,890
Net cash from investing activities	106	103	93
Net cash from financing activities	3,800	2,796	(19,480)
Net movement in cash and cash equivalents	487	46	(497)
Cash and cash equivalents at beginning of period/year	14	501	547
Cash and cash equivalents at end of year	501	547	50



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Gap Mellieha (I) Limited			
Balance Sheet			
as at	31 Dec'18	31 Dec'19	31 Dec'20
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets			
Loans and other receivables	2,404	2,534	-
	<u>2,404</u>	<u>2,534</u>	<u>-</u>
Current assets			
Inventory - development project	14,503	13,640	8,350
Trade and other receivables	12,941	20,419	1,997
Cash and cash equivalents	501	547	50
	<u>27,945</u>	<u>34,606</u>	<u>10,397</u>
Total assets	<u>30,349</u>	<u>37,140</u>	<u>10,397</u>
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	2,473	4,573	7,861
	<u>2,474</u>	<u>4,574</u>	<u>7,862</u>
LIABILITIES			
Current liabilities			
Other financial liabilities	19,170	22,119	200
Other current liabilities	8,705	10,447	2,335
	<u>27,875</u>	<u>32,566</u>	<u>2,535</u>
Total equity and liabilities	<u>30,349</u>	<u>37,140</u>	<u>10,397</u>

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units from the Mellieha Development, representing 27% of the total residential units to be developed. Total comprehensive income for the year amounted to €2.5 million. As at year end, a further 37 residential units were subject to preliminary sale agreements.

The asset side of the balance sheet as at 31 December 2018 included inventory (work-in-progress on development projects) amounting to €14.5 million (FY2017: €16.4 million), whilst liabilities mainly comprised capital creditors (primarily GGCL) of €19.1 million (FY2017: €15.3 million) and advance deposits amounting to €2.6 million (FY2017: €1.3 million).

Revenue generated by GML in FY2019 amounted to €13.0 million, compared to €16.2 million in FY2018, from the sale of 36 residential units (FY2018: 43 units). Accordingly, a total of 79 units have been sold out of a total of 159 residential units, and a further 24 units were subject to promise of sale agreements. Profit for the year decreased from €2.5 million in FY2018 to €2.1 million in FY2019.

As at 31 December 2019, the first seven blocks were fully complete, while Blocks A, B and C were 100% complete in terms of construction and finishing works were 95% complete. Inventory as at year end amounted to €13.6 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €23.0 million.



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Capital creditors (primarily GGCL) as at 31 December 2019 amounted to €22.1 million and advance deposits amounted to €1.3 million.

Revenue generated by GML in FY2020 amounted to €13.0 million, compared to €13.0 million in FY2019, from the sale of 38 residential units (FY2019: 36 units). Accordingly, a total of 117 units have been sold out of a total of 159 residential units, and a further 28 units were subject to promise of sale agreements. Profit for the year increased from €2.1 million in FY2019 to €3.3 million in FY2020.

As at 31 December 2020, the project was fully developed. Inventory as at year end amounted to €8.4 million. Apart from inventory, the majority of total assets included receivables from related parties amounting to €1.9 million.

Capital creditors (primarily GGCL) as at 31 December 2020 amounted to €200,279 and advance deposits amounted to €0.5 million.

8.2 GAP LUQA LIMITED

The historical financial information about GLL is included in the audited financial statements for the financial years ended 31 December 2018 to 2020.

Gap Luqa Limited

Income Statement

for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Revenue	2,002	11,819	9,316
Cost of sales	(1,185)	(6,533)	(4,850)
Administrative expenses	(33)	(552)	(285)
Operating profit	784	4,734	4,181
Net finance costs	-	(351)	(466)
Profit before tax	784	4,383	3,715
Taxation	(145)	(920)	(539)
Total comprehensive income for the year	639	3,463	3,176



M Z I N V E S T M E N T S E R V I C E S

Gap Luqa Limited
Cash Flow Statement
for the year ended 31 December

	2018	2019	2020
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
Net cash from (used in) operating activities	(6,690)	6,396	1,020
Net cash from investing activities	1	-	-
Net cash from (used in) financing activities	6,544	(5,816)	(1,582)
Net movement in cash and cash equivalents	(145)	580	(562)
Cash and cash equivalents at beginning of year	197	52	632
Cash and cash equivalents at end of year	52	632	70

Gap Luqa Limited
Balance Sheet

As at	31 Dec'18	31 Dec'19	31 Dec'20
	Audited	Audited	Audited
	(€'000)	(€'000)	(€'000)
ASSETS			
Current assets			
Inventory - development project	11,260	12,215	14,863
Trade and other receivables	9,399	8,872	8,457
Cash and cash equivalents	52	632	70
	<u>20,711</u>	<u>21,719</u>	<u>23,390</u>
Total assets	<u>20,711</u>	<u>21,719</u>	<u>23,390</u>
EQUITY			
Capital and reserves			
Called up share capital	1	1	1
Retained earnings	1,378	4,841	8,017
	<u>1,379</u>	<u>4,842</u>	<u>8,018</u>
LIABILITIES			
Non-current liabilities			
Bank loans and other financial liabilities	7,522	2,534	-
	<u>7,522</u>	<u>2,534</u>	<u>-</u>
Current liabilities			
Bank loans and other financial liabilities	8,684	7,731	11,210
Other current liabilities	3,126	6,612	4,162
	<u>11,810</u>	<u>14,343</u>	<u>15,372</u>
	<u>19,332</u>	<u>16,877</u>	<u>15,372</u>
Total equity and liabilities	<u>20,711</u>	<u>21,719</u>	<u>23,390</u>



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During FY2018, revenue amounted to €2.0 million and primarily comprised further sales of units from the Lija project and the disposal of a plot within the Luqa Development. GLL registered total comprehensive income for the financial year of €0.6 million.

In FY2019, revenue generated amounted to €11.8 million from the sale of 59 units forming part of the Luqa Development. Such sales contributed €4.7 million to operating profit, while net profit for the year amounted to €3.5 million.

The Luqa Development consists of 21 blocks. By 31 December 2019, the first 9 blocks were fully complete. Construction works had started on the next 6 blocks, whereas excavation works were complete in relation to the last remaining 6 blocks.

Revenue in FY2020 amounted to €9.3 million compared to €11.8 million in the prior year. Operating profit was lower on a comparable basis, from €4.7 million in FY2019 to €4.2 million. Overall, comprehensive income amounted to €3.2 million (FY2019: €3.5 million). Out of 21 blocks, 15 blocks have been fully completed. With regard to the remaining 6 blocks, construction works are expected to be completed in Q3 2021 while finishes should be completed in Q4 2021.

Total assets as at 31 December 2020 amounted to €23.4 million (FY2019: €21.7 million) and principally included inventory (work-in-progress on development project) of €14.9 million (FY2019: €12.2 million) and related party loans receivable of €8.5 million (FY2019: €8.9 million). Liabilities mainly comprised related party loans amounting to €11.2 million (FY2019: €10.3 million), advance deposits amounting to €2.1 million (FY2019: €1.4 million) and other creditors of €2.1 million (FY2019: €5.2 million).

9. PROJECTED FINANCIAL INFORMATION RELATING TO THE 2020 GUARANTOR AND 2021 GUARANTORS

9.1 GAP QM LIMITED

GQM was established on 23 September 2020 and since then has acquired the Qawra and Mosta sites and initiated development of the Qawra II Development and the Mosta Development. GQM has not published its first set of audited financial statements. The following projected financial information of GQM has been provided by management of the Issuer and covers the period 23 September 2020 to 31 December 2021 and the financial year ending 31 December 2022.

Gap QM Limited

Projected Income Statement

for the period/year

23 Sept'20 to 31 Dec'21 (€'000)	1 Jan'22 to 31 Dec'22 (€'000)
---------------------------------------	-------------------------------------

Administrative expenses

(25) (30)

Loss for the period/year

(25) (30)

Gap QM Limited

Projected Cash Flow Statement

for the period/year

23 Sept'20 to 31 Dec'21 (€'000)	1 Jan'22 to 31 Dec'22 (€'000)
---------------------------------------	-------------------------------------

Net cash used in operating activities

(19,020) (7,780)

Net cash from financing activities

20,000 7,600

Net movement in cash and cash equivalents

980 (180)

Cash and cash equivalents at beginning of period/year

- 980

Cash and cash equivalents at end of period/year

980 800



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Gap QM Limited Projected Balance Sheet As at 31 December

	2021 (€'000)	2022 (€'000)
ASSETS		
Current assets		
Inventory - development project	20,000	27,750
Cash and cash equivalents	980	800
	<u>20,980</u>	<u>28,550</u>
Total assets	<u>20,980</u>	<u>28,550</u>
EQUITY		
Capital and reserves		
Called up share capital	5	5
Retained earnings	(25)	(55)
	<u>(20)</u>	<u>(50)</u>
LIABILITIES		
Current liabilities		
Borrowings and other financial liabilities	20,000	28,000
Other current liabilities	1,000	600
	<u>21,000</u>	<u>28,600</u>
	<u>21,000</u>	<u>28,600</u>
Total equity and liabilities	<u>20,980</u>	<u>28,550</u>

During the period under review, GQM will be principally involved in developing the Qawra II Development and the Mosta Development.

In FP2021, inventory is forecasted to amount to €20.0 million comprising the cost of acquisition of the Qawra Site II and Mosta Site amounting to €15.6 million and development costs of €4.4 million. In FY2022, development costs are expected to amount to €7.8 million and as such, inventory as at 31 December 2022 is projected at €27.8 million.

Such expenditure is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 Bonds).

9.2 GAP QAWRA LIMITED

GQL was established on 20 October 2021 to acquire the Qawra Site III and develop the Qawra III Development. GQL has not commenced any trading or business activities and has not published its first set of audited financial statements. The following projected financial information of GQL has been provided by management of the Issuer and covers the period 20 October 2021 to 31 December 2022.

Gap Qawra Limited Projected Income Statement for the period 20 October 2021 to 31 December 2022

	(€'000)
Administrative expenses	(30)
Loss for the period	<u>(30)</u>



M Z I N V E S T M E N T S E R V I C E S

Gap Qawra Limited

Projected Cash Flow Statement

for the period 20 October 2021 to 31 December 2022

	(€'000)
Net cash used in operating activities	(9,525)
Net cash from financing activities	9,825
Net movement in cash and cash equivalents	300
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	300

Gap Qawra Limited

Projected Balance Sheet

As at 31 December 2022

	(€'000)
ASSETS	
Current assets	
Inventory - development project	9,500
Cash and cash equivalents	300
	9,800
Total assets	9,800
EQUITY	
Capital and reserves	
Called up share capital	5
Retained earnings	(30)
	(25)
LIABILITIES	
Current liabilities	
Borrowings and other financial liabilities	9,250
Other current liabilities	575
	9,825
Total equity and liabilities	9,800

During the period under review, GQL will be principally involved in acquiring the Qawra Site III and commence developing thereon the Qawra III Development. Such expenditure, projected at €9.5 million, is being funded from amounts advanced by the Issuer (derived from net proceeds of the 2021 Bonds).



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10. FINANCIAL INFORMATION RELATING TO THE ISSUER

The following financial information is extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2018 to 2020. The projected consolidated financial information for the years ending 31 December 2021 and 31 December 2022 of Gap Group has been provided by management of the Issuer.

The projected financial information relates to events in the future and is based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The COVID-19 pandemic has caused disruption to businesses and economic activity which has also been reflected in volatility in the property market. Whilst the Directors believe that the pandemic may affect sales of property in the near term, they are confident that the Group has in place robust financial fundamentals and sufficient resources to enable it to meet the challenges that the pandemic may present.

GAP Group p.l.c.					
Consolidated Statement of Comprehensive Income					
for the year ended 31 December	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Revenue	30,444	28,287	23,786	51,918	30,017
Cost of sales	(21,747)	(20,500)	(13,600)	(36,720)	(21,164)
Administrative expenses	(1,701)	(1,650)	(1,167)	(1,898)	(840)
Operating profit	6,996	6,137	9,019	13,300	8,013
Investment income	683	729	592	298	-
Finance costs	(2,258)	(3,493)	(4,027)	(2,308)	(1,059)
Profit before tax	5,421	3,373	5,584	11,290	6,954
Taxation	(2,439)	(2,245)	(1,482)	(3,298)	(2,401)
Profit for the year	2,982	1,128	4,102	7,992	4,553
Other comprehensive income					
Movement in fair value of financial assets	191	157	(123)	153	103
Total comprehensive income for the year	3,173	1,285	3,979	8,145	4,656

Key Accounting Ratios					
	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Forecast	Projection
Operating profit margin (Operating profit/revenue)	23%	22%	38%	26%	27%
Interest cover (times) (Operating profit/net finance cost)	4.44	2.22	2.63	6.62	7.57
Interest cover 2 (times) (Operating profit/finance cost)	3.10	1.76	2.24	5.76	7.57
Net profit margin (Profit after tax/revenue)	10%	4%	17%	15%	15%
Earnings per share (€) (Profit after tax/number of shares)	1.19	0.45	1.64	3.20	1.82
Return on equity (Profit after tax/shareholders' equity)	30%	10%	27%	38%	18%
Return on capital employed (Operating profit/total assets less current liabilities)	14%	8%	10%	13%	11%
Return on assets (Profit after tax/total assets)	5%	1%	4%	7%	5%

Source: MZ Investment Services Limited



M Z I N V E S T M E N T S E R V I C E S

In FY2018, the Group generated revenues of €30.4 million as compared to €15.0 million a year earlier, mainly from sales contracts for units in the Mellieha Development as to €16.2 million and the remaining amount principally from the Qawra Development and Gharghur Development. Operating profit increased from €2.9 million in FY2017 to €7.0 million, while comprehensive income amounted to €3.2 million in FY2018 (FY2017: €0.7 million).

During FY2019, the Gap Group was principally involved in the construction and development of the following projects:

- Mellieha Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, 9 blocks were fully complete, while construction works on another 6 blocks have commenced. Development of the final 6 blocks will start later in that year. It is envisaged that the project will be completed in its entirety by Q4 2021.

Furthermore, in FY2019, the Group acquired another 3 sites in Marsascula, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.

In the afore-mentioned financial year, the Group generated aggregate revenue of €28.3 million, a decrease of €2.2 million when compared to the prior year. Revenue was principally derived from the sale of units forming part of the Mellieha Development and the Luqa Development. Operating profit was lower on a comparable basis by €0.9 million and amounted to €6.1 million. In FY2019, net finance costs (being investment income less finance costs) were materially higher from FY2018 by 75% to €2.8 million, which adversely impacted net profit for the year. An amount of circa €1 million in finance costs was a one-off item and resulted from the premium paid by the Issuer to holders of the 2016 Bonds who had opted to exchange same to the 2019 Bonds. Overall, GAP Group reported total comprehensive income for FY2019 of €1.3 million compared to €3.2 million in FY2018.

In FY2020, the Group generated revenue amounting to €23.8 million compared to €28.3 million in FY2019 (-16%). Approximately 55% of revenue was derived from sales of units forming part of the Mellieha Development and circa 39% from the Luqa Development. Operating profit for the year amounted to €9.0 million, an increase of €2.9 million from a year earlier, and total comprehensive income amounted to €4.0 million (FY2019: €1.3 million).

Operating profit margin improved from 22% in FY2019 to 38%, while net profit margin increased from 4% in FY2019 to 17%. Due to higher operating profits, interest cover increased from 2.22 times in FY2019 to 2.63 times in the last financial year. The efficiency ratios being a measure of a company's ability to use one's assets to generate income have also increased year-on-year. In fact, return on equity increased from 10% to 27% in FY2020, return on capital employed improved by 2 percentage points to 10% while return on assets increased from 1% in FY2019 to 4%. This positive trend is expected to continue in FY2021 and FY2022.

In FY2021, the Group expects revenue to more than double from €23.8 million in FY2020 to €51.9 million. Approximately 85% of revenue is projected to be generated from the Luqa Development and Mellieha Development, while 15% is expected to be derived from projects described in section 5.3 of this report (primarily from the Marsascula Development). As such, operating profit is projected to increase by €4.3 million (+47% y-o-y) to €13.3 million (FY2020: €9.0 million), and comprehensive income is expected to increase by 105% to €8.1 million (FY2020: €4.0 million).

Revenue in FY2022 is projected to amount to €30.0 million compared to €51.9 million in the prior year. Management is assuming that during the said financial year the Group will complete the sale of all remaining units forming part of the Mellieha Development, Luqa Development, Marsascula Development, San Pawl tat-Tarġa Development and Birkirkara Development. At an operating profit margin of 27% (FY2021: 26%), the Group is expected to generate an operating profit of €8.0 million (FY2021: €13.3 million). Overall, total comprehensive income for FY2022 is projected at €4.7 million compared to €8.1 million in FY2021.



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GAP Group p.l.c.

Consolidated Statement of Financial Position

as at 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	30	32	23	22	22
Investments	2,145	6,012	6,097	6,597	-
Loans and other receivables	11,583	10,111	10,382	10,657	10,952
Sinking fund	3,975	24	6,480	8,474	-
	<u>17,733</u>	<u>16,179</u>	<u>22,982</u>	<u>25,750</u>	<u>10,974</u>
Current assets					
Inventory - development project	22,786	48,958	62,649	53,607	44,486
Trade and other receivables	387	2,553	4,303	4,419	4,226
Cash and cash equivalents	624	7,698	2,060	15,766	20,843
Sinking fund	13,707	12,498	11,901	16,121	3,849
	<u>37,504</u>	<u>71,707</u>	<u>80,913</u>	<u>89,913</u>	<u>73,404</u>
Total assets	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>115,663</u>	<u>84,378</u>
EQUITY					
Capital and reserves					
Called up share capital	2,500	2,500	2,500	2,500	2,500
Other capital	2,900	3,057	2,934	2,500	2,500
Retained earnings	4,469	5,598	9,700	15,779	20,435
	<u>9,869</u>	<u>11,155</u>	<u>15,134</u>	<u>20,779</u>	<u>25,435</u>
LIABILITIES					
Non-current liabilities					
Borrowings and other financial liabilities	5	6,141	7,737	7,642	3,344
Debt securities	39,473	56,991	69,864	74,291	45,369
	<u>39,478</u>	<u>63,132</u>	<u>77,601</u>	<u>81,933</u>	<u>48,713</u>
Current liabilities					
Bank overdrafts	7	-	500	-	-
Borrowings and other financial liabilities	111	2,610	657	181	181
Other current liabilities	5,772	10,989	10,003	12,770	10,049
	<u>5,890</u>	<u>13,599</u>	<u>11,160</u>	<u>12,951</u>	<u>10,230</u>
	<u>45,368</u>	<u>76,731</u>	<u>88,761</u>	<u>94,884</u>	<u>58,943</u>
Total equity and liabilities	<u>55,237</u>	<u>87,886</u>	<u>103,895</u>	<u>115,663</u>	<u>84,378</u>



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Key Accounting Ratios

	FY2018	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Forecast	Projection
Gearing ratio (Total net debt/net debt and shareholders' equity)	66%	78%	78%	63%	49%
Gearing ratio 2 (times) (Total net debt/shareholders' equity)	1.94	3.54	3.45	1.69	0.95
Net debt to Operating profit (years) (Net debt/Operating profit)	2.74	6.44	5.79	2.64	3.02
Net assets per share (€) (Net asset value/number of shares)	3.95	4.46	6.05	8.31	10.17
Liquidity ratio (times) (Current assets/current liabilities)	6.37	5.27	7.25	6.94	7.18

Source: MZ Investment Services Limited

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieha Development. Liquid assets (including sinking fund and cash) amounted to €20.4 million (FY2017: €12.1 million). Other assets mainly comprise loans due from related parties of €11.6 million (FY2017: €10.2 million). As to liabilities, the Group had outstanding €40 million in 4.25% secured bonds due 2023, advance deposits amounting to €3.3 million and capital creditor balances of €1.7 million.

The Group's balance sheet as at 31 December 2019 included total assets amounting to €87.9 million, made up of inventory (being acquisition of sites in Marsascala, San Pawl Tat-Tarġa and Birkirkara and works-in-progress on property developments) of €49.0 million, related party balance of €12.7 million and cash balances amounting to €20.2 million. Moreover, an amount of €6.0 million represented investments in various corporate bonds.

Liabilities principally included debt securities of €57.0 million, while bank loans and other financial liabilities amounted to €8.8 million. Shareholders' equity as at 31 December 2019 amounted to 11.2 million compared to €9.9 million a year earlier. Within shareholders' equity, other capital amounting to €3.1 million comprises a shareholders' loan of €2.5 million. This loan is classified as quasi equity since it is interest free and only repayable to the shareholders after the settlement of amounts due to bondholders.

In FY2020, the Group raised €21 million through the issue of the 2020 Bonds, of which, €15 million of proceeds was used to acquire the Qawra Site II and the Mosta Site. The remaining balance was utilised to settle capital creditor balances and to part fund ongoing development costs in relation to the Qawra II Development and the Mosta Development. Inventory increased from €49.0 million in FY2019 to €62.6 million, while cash balances (including sinking fund amounts) increased from €20.2 million in FY2019 to €20.4 million.

The leverage of the Group (gearing) remained stable in FY2020 at 78% despite the increase in borrowings. The liquidity ratio was at 7.25 times particularly in view of the significant amount of property inventory held in current assets, while the majority of borrowings are non-current liabilities repayable after more than 1 year. Furthermore, net assets per share increased from €4.46 in FY2019 to €6.05 in FY2020.

Total assets as at 31 December 2021 is forecasted to amount to €115.7 million compared to €103.9 million in the prior year. Inventory is projected at €53.6 million (FY2020: €62.6 million) and comprises the Qawra Site III which is expected to be acquired in December 2021 for the consideration of circa €8 million. Due to the substantial turnover forecasted for FY2021, cash balances are expected to double on y-o-y basis from €20.4 million in FY2020 to €40.4 million.

The Group's equity is projected to increase by 37% from €15.1 million in FY2020 to €20.8 million, mainly due to a projected y-o-y increase of €6.1 million in retained earnings to €15.8 million.

Total liabilities of the Group mainly comprise debt securities and are projected to increase by €6.1 million (y-o-y) to €94.9 million. Notwithstanding the said increase, the gearing ratio is expected to decrease from 78% in FY2020 to 63% primarily on account of the above-mentioned increase in cash balances and retained earnings.



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In FY2022, equity is projected to increase further by 61% to €25.4 million while total liabilities are expected to decrease y-o-y by €35.9 million due to the redemption of the 2019 Bonds. Inventory as at 31 December 2022 is expected to include the Qawra Site II, the Mosta Site, the Qawra Site III and construction thereon.

GAP Group p.l.c.

Consolidated Cash Flow Statement for the year ended 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Net cash from (used in) operating activities	7,489	(20,317)	(10,862)	22,271	14,081
Net cash from (used in) investing activities	6,939	(1,206)	507	468	110
Net cash from (used in) financing activities	(1,285)	27,395	3,620	(4,313)	(21,386)
Net movement in cash and cash equivalents	13,143	5,872	(6,735)	18,426	(7,195)
Cash and cash equivalents at beginning of year	1,181	14,324	20,196	13,461	31,887
Cash and cash equivalents at end of year	14,324	20,196	13,461	31,887	24,692

Net cash outflow from operating activities in FY2020 amounted to €10.9 million compared to cash outflows of €20.3 million in FY2019. The cash outflow in FY2020 was mainly due to a y-o-y increase of €13.7 million in property inventory. Net cash from investing activities amounted to €0.5 million (FY2019: cash used in investing activities of €1.2 million) and primarily represented investment income.

Net cash from financing activities in FY2020 amounted to €3.6 million which was principally raised from issuance of bonds and bank loan facilities. In FY2020, net movement in cash and cash equivalents amounted to €6.7 million (adverse balance) compared to €5.9 million in FY2019 (positive balance).

Net movement in cash and cash equivalents in FY2021 is projected at €18.4 million (FY2020: adverse balance of €6.7 million). Net cash from operating activities is expected to amount to €22.3 million, primarily on account of cash inflows from final sale contracts. Net cash from investing activities is expected to amount to €0.5 million compared to inflows of €0.5 million in the prior year. Net cash used in financing activities is estimated at €4.3 million.

In FY2022, the Group is projected to generate €14.1 million of net cash from operating activities, while net cash outflows from financial activities of €21.4 million primarily comprises the repayment of capital relating to the 2019 Bonds on maturity date.

Reserve Account

In terms of the respective prospectus, the Issuer is required to build a sinking fund, the value of which will, by the redemption dates of the respective bonds, be equivalent to 100% of the outstanding value of bonds. Below is a table outlining the actual and expected balance to be held in the reserve account as at the end of the financial years indicated hereunder.

Contributions to Reserve Account as at 31 December

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
4.25% Secured Bonds 2023	17,682	17,712	18,405	3,849	3,849
3.65% Secured Bonds 2022		822	1,700	27,343	
3.70% Secured Bonds 2023 - 2025			4,373		
	17,682	18,534	24,478	31,192	3,849

The 3.70% Secured Bonds 2023 – 2025 was listed in December 2020 and as at year end the balance of net proceeds held by the Security Trustee amounted to €4.4 million. This amount is expected to be released to the Group during FY2021 for the purposes of financing the developments in Mosta and Qawra. As such, the balance on the reserve account as at 31 December 2021 with respect to this bond issue is expected to be nil.



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11. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between: (i) the forecast financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the audited consolidated financial statements for the year ended 31 December 2020; and (ii) the forecast financial information for the year ending 31 December 2021 included in the prior year's Financial Analysis Summary dated 20 November 2020 and the updated forecast financial information for the year ending 31 December 2021.

GAP Group p.l.c.						
Consolidated Statement of Comprehensive Income						
for the year ended 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	€'000	Variance	€'000	€'000	Variance
			€'000			€'000
Revenue	23,786	24,953	(1,167)	51,918	54,900	(2,982)
Cost of sales	(13,600)	(16,558)	2,958	(36,720)	(40,692)	3,972
Administrative expenses	(1,167)	(1,105)	(62)	(1,898)	(840)	(1,058)
Operating profit	9,019	7,290	1,729	13,300	13,368	(68)
Investment income	592	480	112	298	489	(191)
Finance costs	(4,027)	(1,639)	(2,388)	(2,308)	(1,822)	(486)
Profit before tax	5,584	6,131	(547)	11,290	12,035	(745)
Taxation	(1,482)	(1,830)	348	(3,298)	(4,392)	1,094
Profit for the year	4,102	4,301	(199)	7,992	7,643	349
Other comprehensive income						
Movement in fair value of financial assets	(123)	95	(218)	153	129	24
Total comprehensive income for the year	3,979	4,396	(417)	8,145	7,772	373

FY2020: Actual operating profit was higher than forecast by €1.7 million due to lower cost of sales of €3.0 million which positive variance was diluted by lower than expected revenue of €1.2 million. Actual finance costs amounted to €4.0 million compared to a forecast figure of €1.6 million. This adverse variance was due to the fact that finance costs capitalised to inventory (development works in progress) was lower than forecasted. Overall, total comprehensive income for the year was lower than anticipated by €0.4 million.

FY2021: Total comprehensive income for the year has been revised upwards by €0.4 million. Further analysis shows that revenue is expected to be lower than initially projected by €3.0 million mainly on account of timing to conclude sale contracts. On the other hand, the Group is expected to reduce cost of sales by €4.0 million but administrative expenses are set to increase by €1.1 million, thus resulting in a negligible change in operating profit of -€68,000.

GAP Group p.l.c.						
Consolidated Cash Flow Statement						
for the year ended 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	€'000	Variance	€'000	€'000	Variance
			€'000			€'000
Net cash from (used in) operating activities	(10,862)	(9,805)	(1,057)	22,271	29,858	(7,587)
Net cash from (used in) investing activities	507	303	204	468	489	(21)
Net cash from (used in) financing activities	3,620	21,345	(17,725)	(4,313)	4,780	(9,093)
Net movement in cash and cash equivalents	(6,735)	11,843	(18,578)	18,426	35,127	(16,701)
Cash and cash equivalents at beginning of year	20,196	20,196	-	13,461	32,039	(18,578)
Cash and cash equivalents at end of year	13,461	32,039	(18,578)	31,887	67,166	(35,279)

FY2020: Actual net movement in cash and cash equivalents was an adverse balance of -€6.7 million compared to a forecasted positive balance of €11.8 million. The net variance of -€18.6 million emanates from higher than expected cash used in operating activities of €1.1 million due to higher inventory balances, and a lower than expected amount derived from financing activities (variance amounting to -€17.7 million) on account of lower than expected loan receivables, borrowings and other financial liabilities as well as debt securities.

FY2021: Net cash from operating activities is lower than initially projected by €7.6 million due to higher balances of inventory. Furthermore, cashflows from financing activities are expected to amount to -€4.3 million compared to the original forecast of +€4.8 million due to net repayments of debt securities. Overall, net cash balances are expected to be lower than previously projected by €16.7 million.



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GAP Group p.l.c.						
Consolidated Statement of Financial Position						
as at 31 December						
	2020	2020	2020	2021	2021	2021
	Actual	Forecast		Forecast	Forecast	
	€'000	FAS Nov'20	Variance	€'000	FAS Nov'20	Variance
		€'000	€'000		€'000	€'000
ASSETS						
Non-current assets						
Property, plant and equipment	23	27	(4)	22	27	(5)
Investments	6,097	6,189	(92)	6,597	6,189	408
Loans and other receivables	10,382	12,931	(2,549)	10,657	13,060	(2,403)
Sinking fund	6,480	-	6,480	8,474	-	8,474
	<u>22,982</u>	<u>19,147</u>	<u>3,835</u>	<u>25,750</u>	<u>19,276</u>	<u>6,474</u>
Current assets						
Inventory - development project	62,649	59,483	3,166	53,607	36,294	17,313
Trade and other receivables	4,303	887	3,416	4,419	887	3,532
Cash and cash equivalents	2,060	10,622	(8,562)	15,766	21,209	(5,443)
Sinking fund	11,901	21,417	(9,516)	16,121	45,957	(29,836)
	<u>80,913</u>	<u>92,409</u>	<u>(11,496)</u>	<u>89,913</u>	<u>104,347</u>	<u>(14,434)</u>
Total assets	<u>103,895</u>	<u>111,556</u>	<u>(7,661)</u>	<u>115,663</u>	<u>123,623</u>	<u>(7,960)</u>
EQUITY						
Capital and reserves						
Called up share capital	2,500	2,500	-	2,500	2,500	-
Other capital	2,934	3,030	(96)	2,500	3,030	(530)
Retained earnings	9,700	10,021	(321)	15,779	17,792	(2,013)
	<u>15,134</u>	<u>15,551</u>	<u>(417)</u>	<u>20,779</u>	<u>23,322</u>	<u>(2,543)</u>
LIABILITIES						
Non-current liabilities						
Borrowings and other financial liabilities	7,737	11,242	(3,505)	7,642	4,751	2,891
Debt securities	69,864	76,423	(6,559)	74,291	88,065	(13,774)
	<u>77,601</u>	<u>87,665</u>	<u>(10,064)</u>	<u>81,933</u>	<u>92,816</u>	<u>(10,883)</u>
Current liabilities						
Bank overdrafts	500	-	500	-	-	-
Borrowings and other financial liabilities	657	1,081	(424)	181	1,081	(900)
Other current liabilities	10,003	7,259	2,744	12,770	6,404	6,366
	<u>11,160</u>	<u>8,340</u>	<u>2,820</u>	<u>12,951</u>	<u>7,485</u>	<u>5,466</u>
	<u>88,761</u>	<u>96,005</u>	<u>(7,244)</u>	<u>94,884</u>	<u>100,301</u>	<u>(5,417)</u>
Total equity and liabilities	<u>103,895</u>	<u>111,556</u>	<u>(7,661)</u>	<u>115,663</u>	<u>123,623</u>	<u>(7,960)</u>

FY2020: Actual total assets were lower than expected by €7.7 million due to lower than expected balances of cash and sinking fund reserves (-€11.6 million). Such cash amounts were utilised to reduce outstanding borrowings and debt securities. On the other hand, inventories and receivables (non-current and current) were higher by €3.2 million and €0.9 million respectively. In liabilities, borrowings and debt securities were lower than expected by €10.1 million, while current liabilities were higher than forecasted by €2.7 million. As explained above, the Group repaid *circa* €10 million worth of borrowings and debt securities which was not anticipated in the Nov'20 forecast.

FY2021: Projected total assets have been lowered by €8.0 million mainly due to lower cash balances of €26.8 million but higher inventories amounting to €17.3 million. On the liabilities side, debt securities have been reduced by €13.8 million but borrowings and current liabilities are higher than projected by €2.9 million and €6.4 million respectively. In this regard, the Group is utilising a higher amount of cash balances than previously projected to reduce outstanding debt securities.



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PART 3 - COMPARABLES

The table below compares the Issuer and its bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Issuer and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Gap Group.

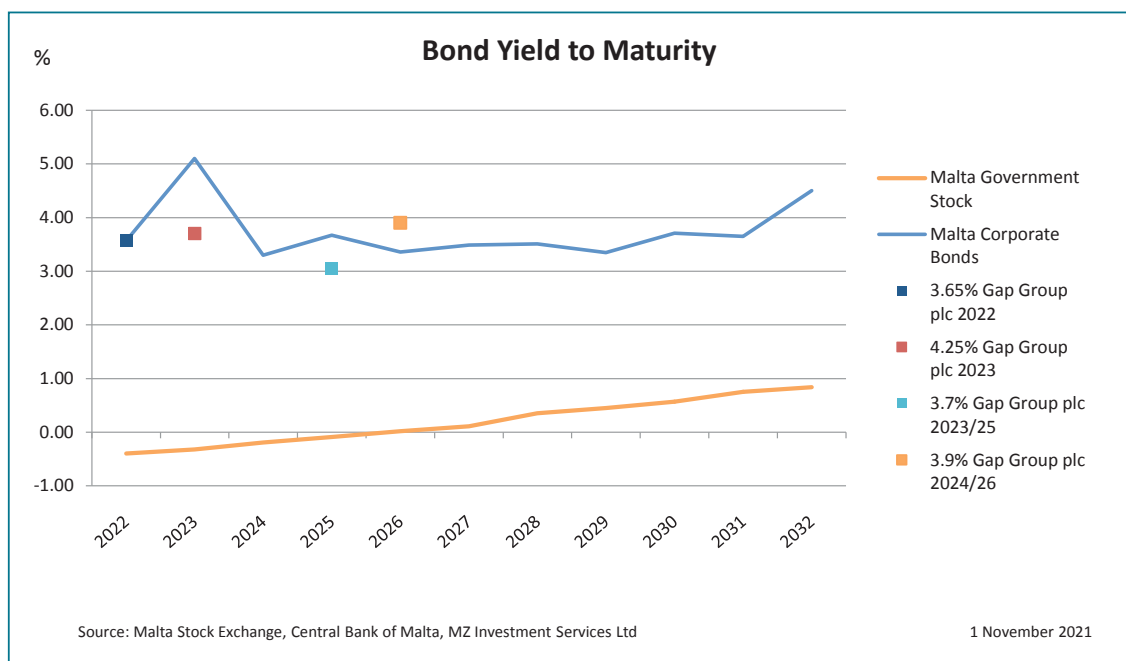
Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)	
5.80% International Hotel Investments plc 2021	20,000,000	5.52	-	0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	29,218,400	3.57	2.24	103,895	15,134	73.44	
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	3.18	1.79	60,578	29,491	36.39	
4.25% GAP Group plc Secured € 2023	19,247,300	3.70	2.24	103,895	15,134	73.44	
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91	
5.80% International Hotel Investments plc 2023	10,000,000	5.00	-	0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.16	0.76	348,657	217,449	25.57	
6.00% International Hotel Investments plc € 2024	35,000,000	5.54	-	0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.30	3.66	100,350	50,297	48.12	
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.57	2.04	122,396	47,319	52.86	
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.30	3.09	135,492	45,574	27.66	
4.25% Best Deal Properties Holding plc Secured € 2024	14,341,100	2.88	-	27,453	4,128	81.72	
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.04	2.24	103,895	15,134	73.44	
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.64	-	0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.21	7.33	160,836	54,602	29.84	
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.67	1.46	149,639	62,675	54.94	
3.9% GAP Group plc Secured € 2024-2026	21,000,000	3.90	2.24	103,895	15,134	73.44	
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.36	3.16	43,383	5,522	81.61	
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	-	0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.30	-	0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22	
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.67	-	0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.77	0.76	348,657	217,449	25.57	
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.93	0.88	328,464	131,504	30.32	
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.49	-	0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.34	2.30	354,069	231,437	26.54	
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.51	3.44	624,222	106,811	78.42	
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.35	2.30	354,069	231,437	26.54	
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42	
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.32	0.76	348,657	217,449	25.57	

01-Nov-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



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To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The 2019 Bonds are trading at a yield of 3.57%, which is at par when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 397 basis points.

The 2016 Bonds are trading at a yield of 3.70%, which is circa 140 basis points lower when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 402 basis points.

The 2020 Bonds are trading at a yield of 3.04%, which is circa 63 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 313 basis points.

The 2021 Bonds have been priced at a yield of 3.90%, which is circa 54 basis points higher when compared to other corporate bonds maturing in 2026. The premium over FY2026 Malta Government Stock is 388 basis points.



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PART 4 - EXPLANATORY DEFINITIONS

INCOME STATEMENT

Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
Operating profit	Operating profit can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.

PROFITABILITY RATIOS

Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

EFFICIENCY RATIOS

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

EQUITY RATIOS

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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CASH FLOW STATEMENT

Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.

BALANCE SHEET

Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment, and loans & other receivables.
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Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Other capital	Other capital is included in total equity and mainly comprises a loan from shareholders. This loan is classified as quasi equity since it is interest free and only repayable to the shareholders after the settlement of amounts due to bondholders.
Net assets per share	Total assets less total liabilities divided by the number of equity shares in issue.

FINANCIAL STRENGTH RATIOS

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to operating profit	The net debt to operating profit ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its operating profit. This ratio shows how many years it would take for a company to pay back its debt if net debt and operating profit are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity. Shareholders' equity comprises 'other capital' as defined hereinabove.