

SUMMARY

dated 20 November 2020



This Summary is issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and the provisions of 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 (the "Prospectus Regulation") and the delegated acts issued thereunder.

In respect of an Issue of
Up to €21,000,000 in 3.7% Secured Series I Bonds due 2023 – 2025
of a nominal value of €100 per Series I Bond issued at par



GAP GROUP P.L.C.

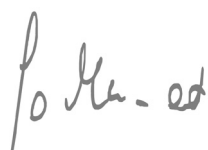
with the joint and several Guarantee of
GAP QM LIMITED

| | | | |
|--|--------------------------------|----------------------------------|---|
| Legal Counsel to the Sponsor, Manager and Registrar | Legal Counsel to the Issuer | Trustee | Sponsor, Manager and Registrar |
|  CAMILLERI PREZIOSI ADVOCATES | Dr Chris Cilia | EQUINOX INTERNATIONAL LIMITED |  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 LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING 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 DIRECTORS




George Muscat



Paul Attard




Adrian Muscat



Francis X. Gouder



Mark Castillo



Chris Cilia

This Summary is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary contains key information which shall enable investors to understand the nature and the risks of the Issuer and the Series I 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.

1. INTRODUCTION AND WARNINGS

This Summary contains key information on the Issuer, the Guarantor and the Series I 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 Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta). |
| Address | The Listing Authority, Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta. |
| Telephone number | +356 2144 1155 |
| Website | https://www.mfsa.mt/ |
| Name of the securities | 3.7% Secured Series I Bonds due 2023-2025 |
| ISIN number of the Series I Bonds | MT0001231225 |
| Prospectus approval date | 20 November 2020 |

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 Series I 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 the Series I 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 such securities.

2. KEY INFORMATION ON THE ISSUER

2.1 Who is the Issuer of the Securities?

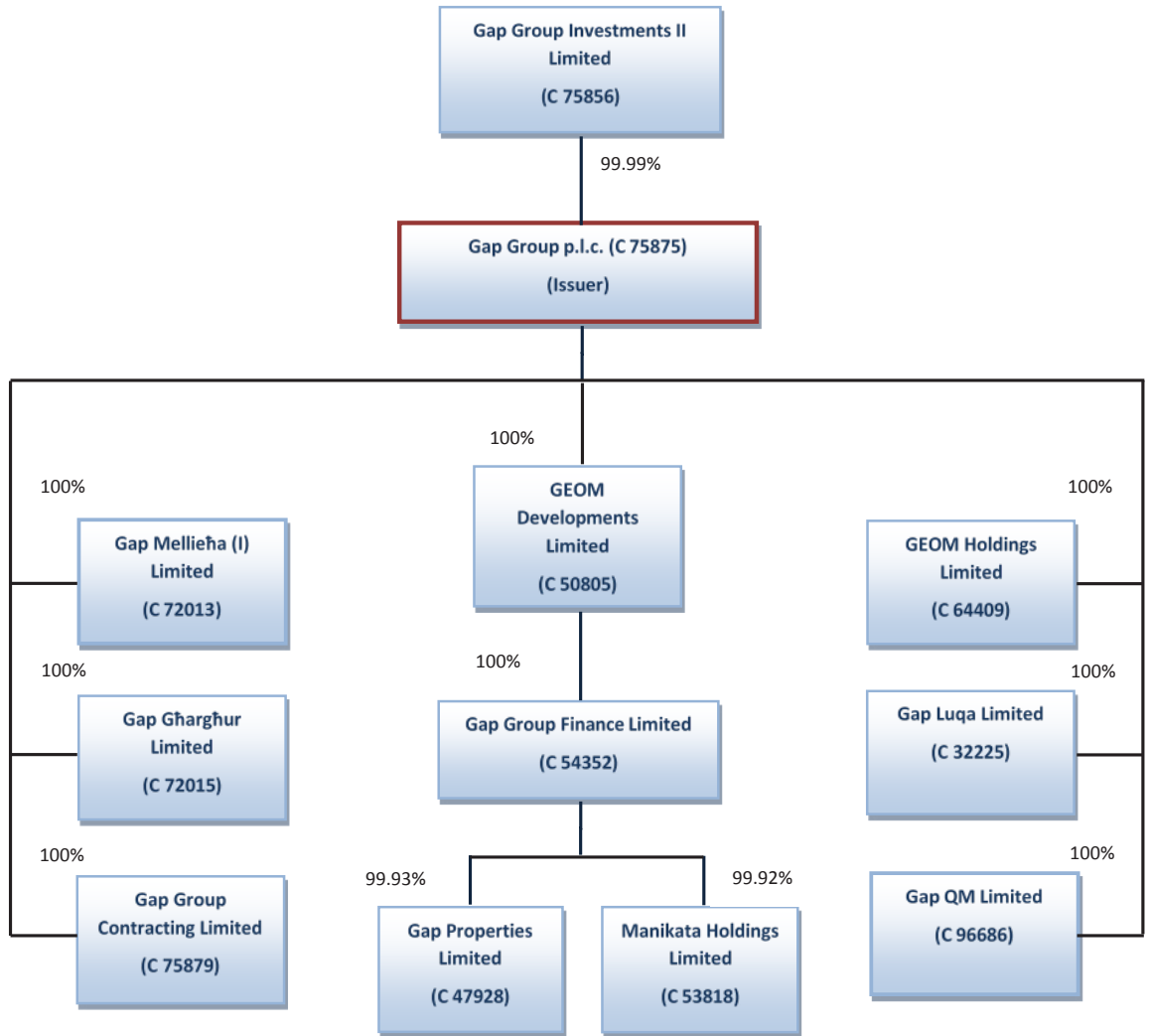
2.1.1 Domicile and Legal Form, its LEI and Country of Incorporation

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 and with legal entity identifier (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 a newly incorporated Subsidiary (GQM), is in the process of acquiring and subsequently developing a site located in Qawra and a site located in Mosta. The project to be undertaken in Qawra shall entail 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 (the "**Qawra II Development**") whereas the project to be undertaken in Mosta shall entail 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 (the "**Mosta Development**").

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 99.9% 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 years ended 31 December 2017 and 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.

As of the date of the Prospectus, the auditors of the Issuer 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 | FY2019 | FY2018 | FY2017 | 6-mth period ended 30 Jun' 20 | 6-mth period ended 30 Jun' 19 |
|--|---------------|---------------|---------------|--------------------------------------|--------------------------------------|
| Operating profit (€'000) | 6,137 | 6,996 | 2,893 | 3,672 | 2,820 |
| Balance Sheet | FY2019 | FY2018 | FY2017 | 30 June 2020 | |
| Net financial debt (€'000) | 39,510 | 19,145 | 27,304 | 38,475 | |
| Cash Flow Statement | FY2019 | FY2018 | FY2017 | 6-mth period ended 30 Jun' 20 | 6-mth period ended 30 Jun' 19 |
| Cash flows from (used in) operating activities (€'000) | (20,317) | 7,489 | 3,250 | 2,217 | (19,291) |
| Cash flows from (used in) financing activities (€'000) | 27,395 | (1,285) | (6,339) | (3,546) | 28,055 |
| Cash flows from (used in) investing activities (€'000) | (1,206) | 6,939 | 569 | 185 | 1,836 |

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 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.

2.3.3 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.

2.3.4 Risks associated with property acquisition and development

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 and 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 the 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.

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, involvement of third parties in connection with the Group business and associated counterparty risks

The Group relies on third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of its developments. The Group has engaged the services of GGCL for the purposes of the Mosta Development and the Qawra II Development. This gives rise to counter-party risks in those instances where such third parties and, or, GGCL do not perform in line with the Group's expectations and contractual obligations.

2.3.7 Risks associated with construction

The Group's construction arm is susceptible to risks relating to health and safety of employees and third parties, including the risk of serious injury and fatality. 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. Furthermore, any failure in health and safety performance may result in penalties (for non-compliance), the generation of adverse publicity and costs in terms of potential liabilities.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the Securities?

The Series I Bonds are being issued in an aggregate amount of up to €21,000,000 with a nominal value of €100 per Series I Bond issued at par and redeemable on 18 December 2025 or, at the sole option of the Issuer, any date falling between 18 December 2023 and 17 December 2025. The Series I Bonds bear interest at the rate of 3.7% per annum on the nominal value of the Series I Bonds.

The Series I 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 Series I Bonds shall have the following ISIN: MT000123125. The Series I Bonds shall be freely transferable.

The Series I 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 Guarantor. The Series I Bonds shall at all times rank *pari passu* without any priority or preference among themselves. The Series I Bonds are secured by the following collateral constituted in favour of the Security Trustee for the benefit of Bondholders: (i) a second-ranking general hypothec over the Issuer's assets, present and future, for the full nominal value of the Series I Bonds and interest thereon; (ii) a first-ranking general hypothec over the Guarantor's assets, present and future, for the full nominal value of the Series I Bonds and interest thereon; (iii) a first-ranking special hypothec over the Mosta Site and the Qawra Site (on which the Mosta Development and the Qawra II Development shall be constructed, respectively) for the full nominal value of the Series I Bonds and interest thereon; (iii) a special privilege pursuant to article 2010 (c) of the Civil Code (Chapter 16 of the laws of Malta) for the amount of €15.7 million and (iv) a pledge over the proceeds for any insurance policy.

There are no special rights attached to the Series I 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 Series I Bonds; (ii) payment of capital and interest in accordance with the ranking of the Series I Bonds; (iii) the benefit of security interest through the Security Trustee; and (iv) such other rights attached to the Series I Bonds emanating from the Securities Note.

3.2 Where will the securities be traded?

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

3.3 Is there a guarantee attached to the securities?

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

3.4 The Guarantor

The Guarantor is GAP QM Limited, a single member private limited liability company registered in Malta in terms of the Companies Act having company registration number C 96696. The LEI of the Guarantor is 485100R9R2JF5F7NWI08. The principal activity of the Guarantor is the development, management and construction of real estate properties in Malta. It was established as a special purpose vehicle for the purpose of acquiring and developing the Mosta Development and Qawra II Development. The Guarantor was established on 23 September 2020 and accordingly, since incorporation to the date of the Prospectus, the Guarantor was not involved in any trading or business activities. Accordingly, no key financial information pertaining to the Guarantor is available.

3.5 Key risks that are specific to the Guarantor and the Guarantee

3.5.1 Risks relating to the Guarantee and the collateral granted by the Guarantor

The strength of the undertakings given under the Guarantee and accordingly, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Series I Bonds, is dependent on the financial position and solvency of the Guarantor. The Guarantee will be further supported by a first ranking special hypothec over the Hypothecated Property. There can be no guarantee that the value of the Hypothecated Property over the term of the Series I Bonds shall be sufficient to cover the full amount of interest and principal outstanding under the Series I Bonds.

In addition to the aforesaid, the first ranking security interests to be constituted by the Guarantor 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 of Malta 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.

3.5.2 Risks relating to the business of the Guarantor

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

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

3.6.1 Suitability of the Series I Bonds

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 this component into account. The Series I Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of the early redemption component, the Series I 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 Series I Bonds

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

3.6.3 Interest rate

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

3.6.4 Currency of reference

A Bondholder will bear the risk of any adverse fluctuations in exchange rates between the currency of denomination of the Series I 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.

3.6.5 Amendments to the Terms and Conditions of the Series I Bonds

In the event that the Issuer wishes to amend any of the Terms and Conditions of the Series I 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.

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

The Issuer shall be issuing the Series I Bonds to fully finance the acquisition of the Mosta Site and the Qawra Site and to partly finance excavation and initial costs of the Mosta Development and the Qawra II Development. Following the completion of the Bond Issue, should the Bond Issue be fully subscribed, the Group will still require additional financing in the amount of approximately €13 million to complete the Mosta Development and the Qawra II Development. The Issuer's financing strategy is to issue a second tranche of bonds or obtain bank financing or a mix of both. There is no certainty that the Group will be able to obtain the full capital it requires for the completion of the Mosta Development and the Qawra II Development through the issue of the second tranche bonds or through bank financing or that it will obtain such financing on favourable terms. Accordingly, the Bondholders are subject to the risk that the completion of the Mosta Development and the Qawra II Development may be stalled and, or, suspended until such financing is obtained by the Issuer, 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 Bonds

Application for the Series I Bonds must be made by completing the 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 15 December 2020, together with payment of the full price of the Series I Bonds applied for. Payments may be made in cash or by cheque payable to the respective Authorised Financial Intermediary. The Issuer reserves the right to close the Offer Period earlier in the event of over-subscription. Applicants shall receive refunds of the price of the Series I Bonds so applied for but not allocated.

The total estimated expenses of the Bond Issue are €500,000.

Plan of Distribution and Allotment

The Issuer will enter into a conditional placement agreement with MZI for the subscription of €11 million in nominal value of Series I Bonds to be subscribed to by MZI for itself or for its underlying clients (the "**Placing Agreement**"). The balance of €10 million shall be made available for subscription during the Offer Period by Existing Bondholders and the general public.

The issue and allotment of the Series I Bonds is conditional upon the Series I Bonds being admitted to the Official List of the MSE. In the event that such condition is not satisfied within fifteen 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.

Allocation Policy

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

- (i) the amount of €11 million shall be allocated to MZI in accordance with the Placement Agreement;
- (ii) the balance shall be allocated to Existing Bondholders and the general public in accordance with the allocation policy to be determined by the Issuer, which allocation policy shall give a more favourable allocation of Series I Bonds to Existing Bondholders.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 22 December 2020.

Expected Timetable

| | | |
|-----|---|--------------------------------|
| 1. | Application Forms mailed to Existing Bondholders..... | 25 November 2020 |
| 2. | Application Forms made available to the general public..... | 30 November 2020 |
| 3. | Closing of Offer Period..... | 15 December 2020 |
| 4. | Commencement of interest on the Series I Bonds..... | 18 December 2020 |
| 5. | Expected date of announcement of basis of acceptance..... | 22 December 2020 |
| 6. | Refunds of unallocated monies (if any)..... | 29 December 2020 |
| 7. | Expected dispatch of allotment advices..... | 29 December 2020 |
| 8. | Expected date of admission of the Series I Bonds to Listing..... | 29 December 2020 |
| 9. | Expected date of commencement of trading in the Series I Bonds..... | 30 December 2020 |
| 10. | Expected date of constitution of Collateral..... | not later than 20 January 2021 |

The Issuer reserves the right to close the Offer Period before 15 December 2020, in which case the events set out in points 5 to 9 above, will be brought forward, although the number of working days between the respective events will not be altered.

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 €20.5 million shall be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) approximately €15.7 million of the net proceeds from the Series I Bonds shall be used to finance the acquisition of the Qawra Site and the Mosta Site;
- (ii) the balance of the net proceeds from the Series I Bonds shall be used to settle €1 million in capital creditor balances and €3.8 million in excavation and development costs to be incurred for the financial year ending 31 December 2021.

The Issuer has established a minimum aggregate subscription amount of €15 million 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 Series I 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 clause (i) above. Any remaining balance shall be utilised in the following order:

- (i) to settle excavation and development costs to be incurred for the financial year ending 31 December 2021; and
- (ii) to settle capital creditor balances.

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 Series I Bond proceeds until the Series I Bonds are admitted to the Official List of the Malta Stock Exchange. It is expected that within fifteen (15) Business Days from listing of the Series I Bonds:

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

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

REGISTRATION DOCUMENT

dated 20 November 2020

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing 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

THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THIS MEANS THAT THE LISTING AUTHORITY HAS APPROVED THIS REGISTRATION DOCUMENT 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 ISSUER THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN ANY INSTRUMENT ISSUED BY THE ISSUER 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 REGISTRATION DOCUMENT HAS BEEN DRAWN UP AS PART OF A SIMPLIFIED PROSPECTUS IN ACCORDANCE WITH ARTICLE 14 OF THE PROSPECTUS REGULATION.

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A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. 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.

Legal Counsel to the Sponsor,
Manager and Registrar

Legal Counsel
to the Issuer

Trustee

Sponsor, Manager
and Registrar

CAMILLERI PREZIOSI
ADVOCATES

Dr Chris Cilia

EQUINOX INTERNATIONAL
LIMITED



MZ INVESTMENT SERVICES

Handwritten signature of George Muscat.

George Muscat

Handwritten signature of Paul Attard.

Paul Attard

Handwritten signature of Adrian Muscat.

Adrian Muscat

APPROVED BY THE DIRECTORS

Handwritten signature of Francis X. Gouder.

Francis X. Gouder

Handwritten signature of Mark Castillo.

Mark Castillo

Handwritten signature of Chris Cilia.

Chris Cilia

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 LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, GQM 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, GQM OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

THE LISTING 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 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 GQM 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 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. 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 LISTING AUTHORITY IN SATISFACTION OF THE LISTING 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 THE 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 SERIES 1 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:

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| 2016 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 €19,312,300 and carrying ISIN MT0001231209; |
| 2019 Bonds | the 3.65% secured bonds 2022 issued by the Issuer pursuant to a prospectus dated 4 March 2019, amounting as at the date of the Prospectus to €31,417,500 and carrying ISIN MT0001231217; |
| 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-Inforjnatur, 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; |
| 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; |
| 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 Għargħur 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 Mellieħa (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; |
| 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 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; |
| Għargħur 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 bedrooled residential units, all in a completely finished state, forming part of the development on the site in Triq Caravaggio, Għargħur, Malta measuring approximately 2,585m ² ; |
| 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; |
| Listing Authority | the Board of Governors of the MFSA, appointed as the Listing Authority for the purposes of the Financial Markets Act (Chapter 345 of the laws of Malta); |
| Listing Rules | the listing rules issued by the Listing Authority; |
| 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 bedrooled 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 ; |
| 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; |

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| 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; |
| Mellieħa Development | the 159 residential units and 174 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 4.3.2 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 4.3.2 of this Registration Document; |
| MFSA | the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta); |
| 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; |
| PDMR | has the same meaning as "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; |
| 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-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 six blocks, over the Qawra Site, as better described in section 4.3.1 of this Registration Document; |
| Qawra Site | 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 4.3.1 of this Registration Document; |
| Registration Document | this document in its entirety; |
| Securities Note | the securities note issued by the Issuer dated 20 November 2020, 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 20 November 2020, 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 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 GQM 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 GQM and other Subsidiaries. Consequently, the financial and operational results of GQM 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, shall depend 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 shall not make a distribution except out of profits available for the purpose or if the directors conclude that it would not be in the best interests of the Issuer. 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 on 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 property acquisition and development

The Group's business relates to property acquisition and development, targeted at the local commercial and residential market, which are 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 affected 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; and
- e) 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.

2.2.2.2 Risks associated with property valuations and net realisable value

The valuations referred to in the Prospectus are prepared by an independent qualified architect 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 architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. 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, involvement of third parties in connection with the Group business and associated counterparty risks*

The Group relies on third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of its developments. The Group engaged the services of GGCL for the purposes of the Mosta Development and the Qawra II 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 third parties and, or, GGCL do not perform in line with the Group's expectations and in accordance with their contractual obligations. If these risks were to materialise, naturally this will result in development delays in completion which could have an adverse impact on the Group's business, its financial condition, results of operations and prospects, especially as a result of its inability to sell the units by a certain date. Accordingly, this could have a material adverse impact on the Issuer's cash flows and revenue generation.

2.2.2.4 *Risks associated with construction*

GGCL is the contractor of the Mellieħa Development, the Qawra II Development, the Mosta Development and the Luqa Development. The Luqa Development is in the course of being developed and completed whilst the Qawra II Development and the Mosta Development shall be developed following the acquisition of the Qawra Site and the Mosta Site, respectively. Over and above the risks relating to property development as detailed in section 2.2.2.1 of this Registration Document, 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, and 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 arising as a result, 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 construction and development industry is 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 its 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. In particular, 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, including but not limited 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, licencing 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, garages and car spaces forming part of the said developments 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 and the Qawra II Development, the Group's business, financial condition and results of operations could be adversely affected.

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 in Malta, 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, and thereby 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 ultimately will 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 result, 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:

| | |
|-------------------|------------------------------------|
| 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 |

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 secretary of the Issuer.

This Registration Document includes information given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. All of the Directors, whose names appear under this heading numbered 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 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.

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

George Muscat Director
Paul Attard Director
Adrian Muscat Director

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

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

3.2 Senior Management

The Issuer itself has no employees and is managed directly by its Directors. Each Subsidiary employs a number of 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 GQM

The auditors of the Issuer and GQM

(a) *Auditors for the financial periods ended 31 December 2017 and 31 December 2018*

The auditor of the Issuer for the financial years ended 31 December 2017 and 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, (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 years ended 31 December 2017 and 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
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 and GQM as at the date of this Registration Document*

As of the date of this Registration Document, the auditors of the Issuer are TACS Malta Limited, 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.

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

3.5 Security Trustee

Name: Equinox International Limited
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 Ċensu 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. Through its Subsidiaries, the Issuer embarked on the following projects in Malta:

- (i) GDL and GHL formed a joint venture for the construction and development of the Qawra I Development over a site consisting of two divided portions of land, located in Triq il-Porzjunkola, just off the Qawra seafront. Both portions of land were purchased by GDL and GHL by two separate contracts dated 26 March 2015, published by Notary Dr John Spiteri;
- (ii) In 2016, GGL acquired a site in Gharghur over which the Gharghur Development was constructed by virtue of a deed published by Notary Dr Andre Farrugia on 4 February 2016. The Gharghur Development is, at the date of this Prospectus, completed. That same year, GML purchased the site known as Ta' Masrija, over which the Mellieħa Development was constructed, by virtue of a deed published on 21 October 2016 by Notary Dr Sam Abela;
- (iii) In 2017, GLL acquired the site over which the Luqa Development is being developed and constructed which is situated in an area in Luqa known as Ta' Blejkiet, by virtue of a deed published by Notary Dr Sam Abela on 26 April 2017;
- (iv) In 2019, GPL acquired a parcel of land located in Marsascula by virtue of a deed published by Notary Dr Andre Farrugia on 3 October 2019. That same year, GGL acquired a parcel of land located in Birkirkara by virtue of a public deed published by Notary Dr Anthony Abela on 2 December 2019 and another parcel of land located in San Pawl tat-Tarġa by virtue of a public deed published by Notary Dr Andre Farrugia on 28 November 2019. All three sites were acquired for the purposes of the development of residential units and garages.

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:

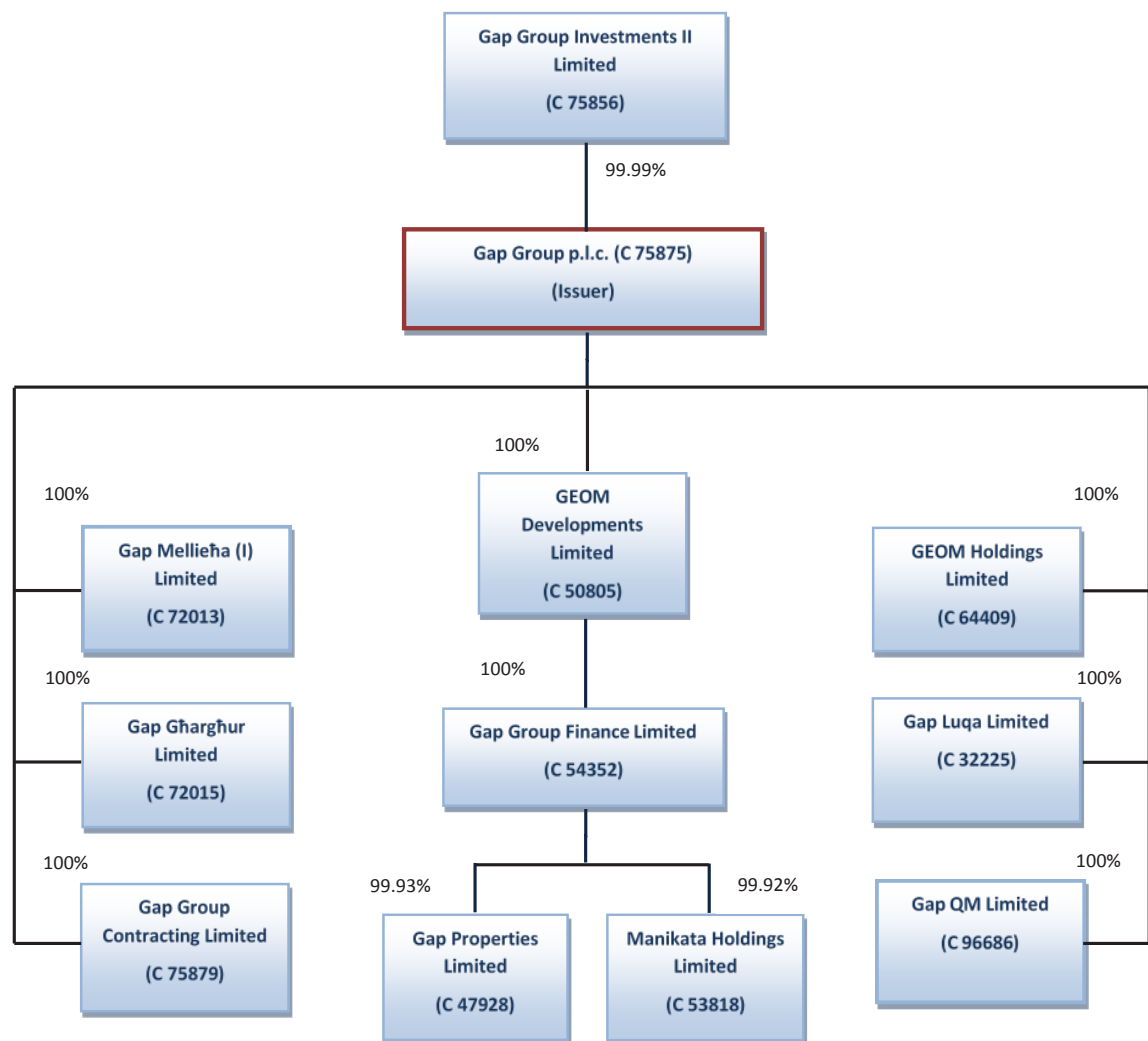
- (i) In September 2016, the Issuer issued the 2016 Bonds to principally finance the Mellieħa Development, the Ġhargħur Development and the Qawra I Development.
- (ii) In March 2019, the Issuer issued the 2019 Bonds to principally finance the Luqa Development. The 2019 Bonds entailed an exchange offer 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.

As at 30 September 2020, the aggregate amount of secured bonds in issue amounted to €56,130,700, while the reserve account pertaining to the 2016 Bonds carried a balance of €18,556,500 and the reserve account pertaining to the 2019 Bonds carried a balance of €5,625,677.

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

Following the success achieved in other development projects, including developments in Ġhargħur, Qawra, Luqa and Mellieħa, the Issuer through a newly incorporated Subsidiary, GQM, is in the process of acquiring and subsequently developing the Qawra Site and the Mosta Site, details of which are set out in section 4.3 of this Registration Document.

4.1.3 Group organisational structure



The organisational structure of the 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)¹. Each of GML, GPL, GGL, GDL, GHL, GLL and GQM are project companies which were entrusted with the construction and development of a real-estate project.

¹ George Muscat holds two ordinary shares directly in the Issuer. Adrian Muscat and Paul Attard each hold one ordinary share directly in the Issuer.

4.2 GQM

GQM is the Subsidiary of the Issuer which shall acquire the Mosta Site and the Qawra Site and shall manage the development thereof.

4.2.1 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 |
| 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 |

4.2.2 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.

4.3 The Projects

4.3.1 The Qawra II Development

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 21 February 2020 related to the sale and transfer of the Qawra Site. In terms of the said preliminary agreement so assigned in GQM's favour, GQM agreed to purchase and acquire the Qawra Site for a consideration of €4.6 million. 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 site has a superficial area of approximately 1,924m² which, on completion, shall comprise six blocks of residential units consisting, in aggregate, of 80 residential units, as detailed hereunder:

| Block | Residential Units ¹ |
|-------|--------------------------------|
| A | 8 |
| B | 14 |
| C | 15 |
| D | 14 |
| E | 16 |
| F | 13 |

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 shall be sold in a complete state and shall comprise a mix of two and four bedroomed residential units, measuring approximately 120m² to 210m², 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 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.

¹ The Issuer may re-designate the numbers and blocks of residential units according to market conditions and demands.

Conditions attaching to the Qawra Site

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

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

Part of the Qawra Site is subject to an emphyteutical grant. In addition to the conditions referred to above, in terms of the emphyteutical grant, the Qawra Site 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 shall not breach this condition.

The area of the Qawra Site 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 and PA/04256/20, the Planning Authority issued a full development permit for the excavation of the Qawra Site and the construction of the Qawra II Development.

Construction and development

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

| | |
|---------------------|------------|
| Excavation | €500,000 |
| Construction | €3,300,000 |
| Finishes | €3,400,000 |
| Contingency | €400,000 |

The construction of the Qawra II Development is intended to commence in Q1 2021, with construction envisaged to be completed by Q1 2022 and fully finished by Q1 2023. Development works shall be 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.

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 sales revenues from the Qawra II Development to be in the region of €19.7 million.

4.3.2 The Mosta Development

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 25 February 2020 related to the sale and transfer of the Mosta Site. In terms of the said preliminary agreement as assigned in GQM's favour, GQM agreed to purchase and acquire the Mosta Site for a maximum consideration of €11 million. 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 Units¹ |
|--------------|--------------------------------------|
| A | 4 |
| B | 7 |
| C | 8 |
| D | 8 |
| E | 36 |
| F | 3 |
| G | 6 |
| H | 6 |
| I | 8 |
| J | 8 |

¹ The Issuer may re-designate the numbers and blocks of residential units 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 shall 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 which shall have an area of 200m² per residential unit, with each residential unit enjoying unobstructed valley and distant views.

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 five hundred Euro (€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 application bearing number PA/01383/18, on 12 April 2019, the Planning Authority issued a full development permit for the excavation of the Mosta Site and the construction of the Mosta Development.

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 shall take place on the site and therefore all the parking spaces and the few commercial outlets shall be at ground floor and elevated ground floor levels. Further detail on the manner in which the archaeological features shall 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 | €4,000,000 |
| Finishes | €4,650,000 |
| Contingency | €450,000 |

The construction of the Mosta Development is intended to commence in January 2021, with construction envisaged to be completed by Q3 2022 and fully finished by Q1 2023.

Development works shall be carried out by GGCL pursuant to a works contract entered into between GQM and GGCL for a value of approximately €9.1 million. Payment under the said contract shall be settled by GQM.

Sales Revenue

On the assumption that all the residential units and car spaces shall be sold, the Directors are expecting the aggregate sales revenues from the Mosta Development to be in the region of €31.7 million.

4.3.3 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 Ġorġ Zahra, Triq Tumas Galea, Triq I-Iskola, Triq Ġeraldu Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq I-Aħwa 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 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 shall comprise 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 September 2020, Zone A and Zone B are fully complete. Progress on the construction of Zone C and Zone D is at approximately 85% and 40% respectively, whilst development of Zone E commenced in Q3 2020. Construction and finishing works in relation to these residential zones are expected to progress gradually, with completion earmarked for 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.

Zone A, B, C and D 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 September 2020, 97 units have been sold for a total revenue of €18.2 million. A further 98 units, out of a total of 225 units, are subject to promise of sale agreements and are expected to be sold for a total projected revenue of €22 million, whereas the remaining 30 units are expected to be sold for an aggregate of approximately €6 million.

GLL acts as the guarantor of the 2019 Bonds. As security for the obligations of the Issuer under the 2019 Bonds, GLL constituted a general hypothec over all its assets present and future and a special hypothec over the Luqa Development in favour of the security trustee of the 2019 Bonds. The said security trustee waives its hypothecary and privileged rights over a residential unit/garage/car space on each final contract of sale of the said residential unit/garage/car space against the receipt of a fixed amount as set out in the applicable trust deed, which amount is credited to a reserve account for the benefit of the bondholders of the 2019 Bonds.

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.

THE MELLIEĦA 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 Mellieħa over which the Mellieħa Development was developed and constructed. The Mellieħa Development is located in the village of Mellieħa in the northern region of Malta. It enjoys unobstructed country views of the imposing area known as Miżieb and distant sea views of the island's north western coastline.

The Mellieħa Development comprises 159 luxury residential units which are being sold finished in a completed state. The Mellieħa 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 Mellieħa Development is fully complete in terms of construction works and finishings.

As at 30 September 2020, 107 residential units have been sold and a further 27 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 €8 million, whereas the remaining 25 units are expected to be sold for an aggregate of approximately €10.5 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 Mellieħa 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 Mellieħa Development in favour of the security trustee of the 2019 Bonds. The security trustee of the 2016 Bonds and the 2019 Bonds, respectively, 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 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 Ġużeppi Lanson, Marsascala. Construction works commenced in Q1 2020. Once completed, the project shall comprise 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 September 2020, demolition and excavation works were fully complete, whereas construction works were 60% complete. The residential units were placed on the market in April 2020 and as at 30 September 2020, eight units are subject to promise of sale agreements. The projected revenue from the sale of the 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 September 2020, demolition and excavation works were fully complete, whereas construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of the units forming part of this project is that of €2.8 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. As at 30 September 2020, demolition and excavation works were fully complete, whereas construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of the units forming part of this project is that of €3.4 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.

5. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

The Directors are of the view that the Issuer and GQM shall, generally, be subject to the normal business risks associated with the property market and barring unforeseen circumstances, does not anticipate any likely material adverse effect on the Issuer's and GQM's prospects, at least up to the end of 2021.

After several years of high growth fuelled mainly by domestic demand, Malta's economy was beginning to slow down even before the Covid-19 pandemic. The disease and containment measures it has necessitated, however, are expected to cause the economy to swing from a growth of 7.3% in 2018, and 4.7% in 2019 to a contraction of 6.0% in 2020¹.

It is anticipated that Malta shall be significantly affected by the pandemic in 2021 mainly because of its impact on the tourism sector but also because of the country's partial lockdown and the disruption to international supply-chains. As a result, investment and net exports are expected to be severely hit by the crisis, as well as private consumption. However, should financial aid packages from the Government of Malta continue to be granted, such packages should help to cushion the economic impact. Recent economic indicators, in particular in the construction and manufacturing sectors suggest a modest recovery. In addition, upward revisions in GDP figures from the second half of 2019 may add an artificially negative statistical effect in 2020 rates.

The easing of restrictions intended to mitigate the spread of the pandemic is expected to relaunch domestic demand, pushing GDP annual growth to 6.25% in 2021. The main driver of recovery is set to come from investment, supported by recovery packages announced by public authorities. Net exports are also set to contribute significantly to the rebound as global trade gradually normalises².

During the last five (5) years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market³. Prior to the Covid-19 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 of Malta's schemes for first-time and second-time buyers which granted said buyers a refund of a portion of the stamp duty payable subject to the satisfaction of certain conditions. 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 transactions⁴.

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%. These reductions shall apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

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 - Mellieħa Development and the Luqa Development - has shown that there is a 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 present economic crisis instigated by the Covid-19 pandemic.

¹ European Economic Forecast – Summer 2020 (European Commission Institutional Paper 132 July'20).

² European Economic Forecast – Summer 2020 (European Commission Institutional Paper 132 July'20).

³ <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).

⁴ Central Bank of Malta Quarterly Review 2020:1 (page 43).

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 can recover from the impact of the pandemic within a short period of time without materially affecting business confidence, primary industries such as hospitality, and demand for property.

In the immediate term, the Group shall be principally focused on completing the Luqa Development and shall continue to market the remaining units available for sale at the Luqa Development and the Mellieħa Development. At the same time, the Group shall direct resources towards the development and sale of units relating to its latest projects in Marsascula, San Pawl tat-Tarġa and Birkirkara, and initiate construction of the Qawra II Development and Mosta Development.

There has been no material adverse change in the prospects of the Issuer since 31 December 2019 (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 2020 (being the date of the last financial period for which financial information has been published) to the date of the Prospectus.

5.2 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 2017, 31 December 2018 and 31 December 2019. The interim financial information about the Issuer is extracted from the unaudited condensed consolidated financial information for the six month period beginning 1 January 2020, up to 30 June 2020. 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 | |
|--|--------------------------------|------------------|------------------|------------------------------------|--------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | Audited €'000 | Audited €'000 | Audited €'000 | Unaudited €'000 | Unaudited €'000 |
| Revenue | 14,982 | 30,444 | 28,287 | 13,498 | 14,392 |
| Cost of sales | (11,154) | (21,747) | (20,500) | (9,766) | (10,035) |
| Administrative expenses | (935) | (1,701) | (1,650) | (912) | (685) |
| Operating profit | 2,893 | 6,996 | 6,137 | 2,820 | 3,672 |
| Investment income | 349 | 683 | 729 | 361 | 362 |
| Finance costs | (1,460) | (2,258) | (3,493) | (1,889) | (1,355) |
| Profit before tax | 1,782 | 5,421 | 3,373 | 1,292 | 2,679 |
| Taxation | (1,197) | (2,439) | (2,245) | (1,042) | (985) |
| Profit for the year/period | 585 | 2,982 | 1,128 | 250 | 1,694 |
| Other comprehensive income | | | | | |
| Movement in fair value of financial assets | 107 | 191 | 157 | 92 | (28) |
| Total comprehensive income for the year/period | 692 | 3,173 | 1,285 | 342 | 1,666 |

During FY2017, the Group generated revenue amounting to €15.0 million, an increase of €0.2 million (+1.2%) compared to FP2016, primarily from sales of the remaining units from a development in Żebbuġ and the Qawra I Development. Operating profit for the period amounted to €2.9 million, a decrease of €0.6 million (-16.4%) compared to FP2016. After accounting for investment income and finance costs of €1.1 million (net) and taxation of €1.2 million, the Group reported a profit after tax of €0.6 million. In FY2017, the Group registered total comprehensive income of €0.7 million after accounting for a gain of €0.1 million in fair value of financial assets.

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 Mellieħa Development as to €16.2 million and the remaining amount principally from the Qawra I 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 Group was principally involved in the construction and development of the following projects:

- Mellieħa Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, 9 blocks are fully complete, while construction works on the remaining 12 blocks have commenced and are at different stages of completion. 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 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 Mellieħa 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 approximately €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 for the 2019 Bonds. Overall, the Group reported total comprehensive income for FY2019 of €1.3 million compared to €3.2 million in FY2018.

During the six month period ended 30 June 2020, the Group generated revenue amounting to €14.4 million compared to €13.5 million in the comparable period. Approximately 38% of revenue was generated from sales of units forming part of the Mellieħa Development and circa 53% from the Luqa Development. Operating profit for the six month period amounted to €3.7 million, an increase of €0.9 million from the six month period ended 30 June 2019, and total comprehensive income amounted to €1.7 million (FP2019: €0.3 million).

| GAP Group p.l.c. Consolidated Cash Flow Statement | for the year ended 31 December | | | for the 6-mth period ended 30 June | |
|--|---------------------------------------|----------------|----------------|---|------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | Audited | Audited | Audited | Unaudited | Unaudited |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from (used in) operating activities | 3,250 | 7,489 | (20,317) | (19,291) | 2,217 |
| Net cash from (used in) investing activities | 569 | 6,939 | (1,206) | 1,836 | 185 |
| Net cash from (used in) financing activities | (6,339) | (1,285) | 27,395 | 28,055 | (3,546) |
| Net movement in cash and cash equivalents | (2,520) | 13,143 | 5,872 | 10,600 | (1,144) |
| Cash and cash equivalents at beginning | 3,701 | 1,181 | 14,324 | 14,324 | 20,196 |
| Cash and cash equivalents at end of year/period | 1,181 | 14,324 | 20,196 | 24,924 | 19,052 |

Net cash outflow from operating activities in FY2019 amounted to €20.3 million compared to cash inflows of €7.5 million in FY2018. The cash outflow in FY2019 was mainly due to a year-over-year increase of €26.2 million in property inventory. Net cash used in investing activities amounted to €1.2 million (FY2018: cash from investing activities of €6.9 million) and primarily represented funds utilised for the purchase of investments.

Net cash from financing activities in FY2019 amounted to €27.4 million which was principally raised from issuance of bonds and bank loan facilities. In FY2019, net movement in cash and cash equivalents amounted to €5.9 million compared to €13.1 million in FY2018.

Net movement in cash and cash equivalents in the six month period ended 30 June 2020 amounted to a cash outflow of €1.1 million (FP2019: cash inflow of €10.6 million). Net cash from operating and investing activities amounted to €2.4 million (in aggregate). Cash used in financing activities amounted to €3.5 million, and mainly comprised repayment of shareholders' loans, 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'17 | 31 Dec'18 | 31 Dec'19 | 30 Jun'20 |
| | Audited | Audited | Audited | Unaudited |
| | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 10 | 30 | 32 | 27 |
| Investments | 6,072 | 2,145 | 6,012 | 6,189 |
| Loans and other receivables | 10,249 | 11,583 | 10,111 | 10,248 |
| Sinking fund | 4,813 | 3,975 | 24 | - |
| | <u>21,144</u> | <u>17,733</u> | <u>16,179</u> | <u>16,464</u> |
| Current assets | | | | |
| Inventory - development project | 33,701 | 22,786 | 48,958 | 43,134 |
| Trade and other receivables | 858 | 387 | 2,553 | 3,446 |
| Cash and cash equivalents | 1,203 | 624 | 7,698 | 3,151 |
| Sinking fund | - | 13,707 | 12,498 | 15,901 |
| | <u>35,762</u> | <u>37,504</u> | <u>71,707</u> | <u>65,632</u> |
| Total assets | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>82,096</u> |
| EQUITY | | | | |
| Capital and reserves | | | | |
| Called up share capital | 2,500 | 2,500 | 2,500 | 2,500 |
| Other capital | 2,708 | 2,900 | 3,057 | 3,030 |
| Retained earnings | 1,488 | 4,469 | 5,598 | 7,291 |
| | <u>6,696</u> | <u>9,869</u> | <u>11,155</u> | <u>12,821</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings and other financial liabilities | 5 | 5 | 6,141 | 6,935 |
| Debt securities | 39,362 | 39,473 | 56,991 | 55,700 |
| | <u>39,367</u> | <u>39,478</u> | <u>63,132</u> | <u>62,635</u> |
| Current liabilities | | | | |
| Bank overdrafts | 22 | 7 | - | - |
| Borrowings and other financial liabilities | 3 | 111 | 2,610 | 1,081 |
| Other current liabilities | 10,818 | 5,772 | 10,989 | 5,559 |
| | <u>10,843</u> | <u>5,890</u> | <u>13,599</u> | <u>6,640</u> |
| | <u>50,210</u> | <u>45,368</u> | <u>76,731</u> | <u>69,275</u> |
| Total equity and liabilities | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>82,096</u> |

Total assets of the Group as at 31 December 2017 amounted to €56.9 million and primarily included stock representing real estate property held for resale (€33.7 million), and cash and liquid assets amounting to €7.3 million. Furthermore, loans and other receivables totalling €10.2 million includes an amount of €2.3 million which was advanced to GLL (then being a related party) for the purpose of acquiring the site over which the Luqa Development was to be developed.

Other than equity (€6.7 million), the Group is financed through debt securities (€39.4 million) with the cumulative preference shares held in GHL amounting to €2.5 million being paid during FY2017.

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieħa 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 2016 Bonds, 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 (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.

An apportionment of the reserve account between the 2016 Bonds and 2019 Bonds, which reserve is composed of cash balances (sinking fund) and investments, is provided hereunder:

| Contributions to Reserve Account | 31 Dec'17 | 31 Dec'18 | 31 Dec'19 | 30 Jun'20 |
|----------------------------------|------------------|------------------|------------------|--------------------|
| | Audited €'000 | Audited €'000 | Audited €'000 | Unaudited €'000 |
| 4.25% Secured Bonds 2023 | 4,813 | 17,682 | 17,712 | 17,909 |
| 3.65% Secured Bonds 2022 | | | 822 | 3,402 |
| | 4,813 | 17,682 | 18,534 | 21,311 |

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.

There were no material movements in the statement of financial position as at 30 June 2020 when compared to the statement of financial position as at 31 December 2019.

GQM

GQM was established on 23 September 2020 to acquire and develop the Mosta Development and the Qawra II Development. Accordingly, since incorporation to the date of the Prospectus, GQM was not involved in any trading or business activities.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

6.1 The Board of Directors of the Issuer and GQM

6.1.1 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.

6.1.2 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.

6.1.3 Curriculum Vitae of Directors

The following are the Directors 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. George Muscat is a shareholder and director of several companies which do not form part of the Gap 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 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 Julian's. The Baystreet complex has today evolved into an entertainment hub with more than seventy (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 a number of 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 nineteen (19) years, he has been involved in a number of 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: 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 a number of non-executive directorships on listed entities.

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 the Issuer since 2016, after a career in international banking spanning more than forty-five (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 as an advocate for the past twenty-six (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), previously known as Malta Industrial Parks Limited.

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

6.2 Conflict of Interest

As at the date of this Registration Document, each of George Muscat, Paul Attard and Adrian Muscat are officers of several members of 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, GQM and GGCL as the main contractor for the Mosta Development and the Qawra II 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.

7. MANAGEMENT STRUCTURE

7.1 General

The Issuer itself has no employees and is managed directly by its Directors. Each Subsidiary has a number of 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.

7.2 Committees

The Board has not appointed any committees other than the audit committee which is mandatorily required in terms of the Listing 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 GQM 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 GQM, 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 GQM, separately from the Issuer.

8. MAJOR SHAREHOLDERS

The Issuer's majority shareholder is Gap Group Investments II Limited (C 75856), which is the holder of 99.9% 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 (1) ordinary share in the issued share capital of the Issuer whereas George Muscat holds two (2) 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.

9. 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 twelve (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 2020 (being the date of the last financial period for which financial information has been published) to the date of the Prospectus.

10. REGULATORY DISCLOSURES

The Market Abuse Regulation contains prohibitions on insider dealing, unlawful disclosure of inside information and market manipulation. It also regulates: (i) notifications to be made by PDMRs and, or, Persons Closely Associated who deal in financial instruments issued by an issuer; and (ii) the requirement to disclose inside information.

In the twelve (12) months prior to the date of this Prospectus:

- (i) There was no inside information within the meaning of the Market Abuse Regulation which required disclosure. Accordingly, the Issuer did not make any company announcements to the market disclosing inside information. The Issuer has made public its consolidated audited financial statements for the period ended 31 December 2019 and its interim unaudited financial statements for the period beginning 1 January 2020, to 30 June 2020; and
- (ii) PDMRs and, or Closely Associated Persons did not notify the Issuer of their intention to trade in the 2016 Bonds or the 2019 Bonds. Accordingly, the Issuer was not required to notify the market and the Listing Authority of any managers' transactions.

The Issuer ensures that internal processes and procedures are in line with the Market Abuse Regulation.

11. 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.

12. PROPERTY VALUATION REPORTS

The Issuer commissioned Arch. Colin Zammit to issue two property valuation reports in relation to the Mosta Development and the Qawra II Development. The details of Arch. Colin Zammit are set out below:

Business Address: 80, Triq it-Torri, Mosta MST 3502, Malta.

Qualifications: B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech Perit

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than sixty (60) days prior to the date of publication of the prospectus. The valuation reports with respect to the Mosta Development and the Qawra Development are each dated 12 November 2020.

The valuation reports are accessible on the Issuer's website at the following hyperlink: gap.com.mt/content/INVESTORRELATIONS.html and are deemed to be incorporated by reference in this Prospectus.

13. STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the property valuation reports and the financial analysis summary incorporated by reference in this Prospectus, 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 which has given and has not withdrawn its consent to the inclusion of such summary herein.

The property valuation reports have been included in the form and context in which they appear with the authorisation of Arch. Colin Zammit who has given and has not withdrawn his consent to the inclusion of such reports herein.

The Issuer confirms that the financial analysis summary has been accurately reproduced 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.

14. 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 2017, 31 December 2018 and 31 December 2019;
- (b) the unaudited interim financial statements of the Issuer for the six month period ended 30 June 2020;
- (c) the property valuations of the Mosta Development and the Qawra II Development; and
- (d) the financial analysis summary prepared by MZI.

The documents so incorporated by reference are available on the following hyperlink: gap.com.mt/content/INVESTORRELATIONS.html

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

- (a) Memorandum and Articles of Association of the Issuer and GQM; and
- (b) the letter of confirmation drawn up by Deloitte Services Limited.

SECURITIES NOTE

dated 20 November 2020

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing 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 in 3.7% Series I Bonds due 2023 – 2025
of a nominal value of €100 per Bond issued at par (the "Series I Bond") 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 Guarantee* of GAP QM LIMITED

ISIN: MT0001231225

| Legal Counsel to the Sponsor, Manager and Registrar | Legal Counsel to the Issuer | Trustee | Sponsor, Manager and Registrar |
|--|--------------------------------|----------------------------------|-----------------------------------|
| CAMILLERI PREZIOSI ADVOCATES | Dr Chris Cilia | EQUINOX INTERNATIONAL LIMITED | MZ INVESTMENT SERVICES |

* Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note, section 6.2 of this Securities Note for a description of the Collateral and section 6.3 of this Securities Note or a description of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Series I Bonds and the Guarantee provided by the Guarantor.

THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THIS MEANS THAT THE LISTING AUTHORITY HAS APPROVED THIS SECURITIES NOTES 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 LISTING 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.

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.

APPROVED BY THE DIRECTORS

| | | | | | |
|--------------|-------------|---------------|-------------------|---------------|-------------|
| | | | | | |
| George Musca | Paul Attard | Adrian Muscat | Francis X. Gouder | Mark Castillo | Chris Cilia |

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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 SERIES I BONDS 2023 - 2025 OF A NOMINAL VALUE OF €100 PER SERIES I BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.7% PER ANNUM PAYABLE ANNUALLY ON 18 DECEMBER OF EACH YEAR (THE "SERIES I BONDS"). THE NOMINAL VALUE OF THE SERIES I BONDS SHALL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE OR A DESIGNATED EARLY REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE SERIES I BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE SERIES I BONDS OR A DESIGNATED EARLY 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 THE SERIES I BONDS 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 LISTING 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; (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 SERIES I 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 LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, 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 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:

| | |
|--|--|
| Admission | admission of the Series I Bonds to the Official List and to trading on the main market for listed securities of the MSE becoming effective in accordance with the Listing Rules and the MSE Bye-Laws; |
| Applicant/s | a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form; |
| Application/s | the application to subscribe for Series I Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries; |
| Application Form | the form of application of subscription for Series I Bonds, a specimen of which is contained in Annex I of this Securities Note; |
| Appropriateness Test | shall have the meaning set out in section 8.2.21 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 Series I Bonds; |
| Bondholder | a holder of Series I Bonds; |
| 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 second ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Issuer ¹ ; (ii) the first ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Guarantor; (iii) the first ranking special hypothec granted by the Guarantor for the full nominal value of the Series I Bonds and interest thereon over the Hypothecated Property; (iv) the first ranking special privilege over the Hypothecated Property for the amount of €15.7 million; and (v) the Pledge; |
| 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 | 20 November 2020; |
| Designated Early Redemption Dates | any date falling between 18 December 2023 and 17 December 2025, 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 Series I Bonds and all interests accrued up to the date of prepayment, by giving not less than thirty (30) days' notice to the Bondholders and "Early Redemption" shall be construed accordingly; |
| Existing Bondholders | the holders of the 2016 Bonds and the 2019 Bonds as at the Cut-Off Date; |
| Guarantee | the joint and several guarantee dated 20 November 2020 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue, subject to the terms and conditions contained in the Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee is appended to the Securities Note as Annex II hereto; |
| Guarantor | GQM; |
| Hypothecated Property | the immovable property described hereunder, namely: (i) the Mosta Site (and all constructions to be developed thereon), which, when finished, will consist of ten blocks of apartments comprised of 94 apartments, four commercial outlets and underlying garages, as better described in section 4.3.2 of the Registration Document, which site is to be acquired by GQM; and (ii) the Qawra Site (and all constructions to be developed thereon), which, when finished, will consist of six blocks of apartments comprised of 80 apartments and underlying garages as better described in section 4.3.1 of the Registration Document, which site is to be acquired by GQM; |
| Interest Payment Date | 18 December of each year between and including each of the years 2021 and the year 2025, 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; |

¹ For the purposes of securing the 2016 Bonds, the Issuer had constituted in favour of the security trustee of the 2016 Bonds a first ranking general hypothec over all its assets, present and future, as security for all its obligations under the 2016 Bonds, enrolled in the Public Registry of Malta with inscription number I 8717/2016. The said general hypothec was cancelled by virtue of a note of reduction enrolled in the Public Registry with inscription number H 2719/2016. The cancellation of the general hypothec was consented to by the security trustee of the 2016 Bonds since it had sufficient cash in the reserve account maintained for the benefit of the bondholders of the 2016 Bonds to satisfy principal and interest outstanding under the 2016 Bonds and the said cancellation would have the effect of freeing up cash-flows for the Issuer. For the purposes of securing the 2019 Bonds, the Issuer had constituted in favour of the security trustee of the 2019 Bonds a second ranking general hypothec (as at the date of this Securities Note, a first ranking general hypothec pursuant to the note of reduction detailed above) over all its assets, present and future (the "2019 GH"). Accordingly, until such time as the 2019 GH is cancelled, the 2019 GH will rank ahead of the general hypothec securing the Series I Bonds which are the subject of this Prospectus.

| | |
|-----------------------------------|--|
| Issue Date | expected on 29 December 2020; |
| 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 30 November 2020 and 14:00 hours on 15 December 2020 (or such earlier date as may be determined by the Issuer) during which the Series I Bonds are on offer; |
| 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; |
| Pledge Agreement or Pledge | the pledge agreement to be entered into by and between the Guarantor, the Issuer and the Security Trustee for the purpose of constituting a pledge on insurance policy proceeds, as required under clause 6(l)(i) of the Trust Deed; |
| Redemption Date | 18 December 2025; |
| Redemption Value | the nominal value of each Bond (€100 per Series I Bond); |
| Registration Document | the registration document issued by the Issuer dated 20 November 2020, forming part of the Prospectus; |
| Series I Bond/s | up to €21,000,000 Series I 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 3.7% per annum on the nominal value of the Series I Bond, as detailed in this Securities Note, available to the public in Malta during the Offer Period; |
| Securities Note | this document in its entirety; |
| Suitability Test | shall have the meaning assigned to it in section 8.2.21 of this Securities Note; |
| Terms and Conditions | the terms and conditions of the Series I Bonds set out in sections 5.5 and 6 of the Securities Note; and |
| Trust Deed | the trust deed signed by and between the Issuer, the Guarantor and the Security Trustee dated 20 November 2020. |

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 include also 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 SERIES I 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 SERIES I 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 SERIES I 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 SERIES I BONDS, SHOULD PURCHASE ANY SERIES I 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 SERIES I BONDS

3.2.1 Risks relating to the Series I Bonds

3.2.1.1 Suitability of the Series I Bonds

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 Series I Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of this early redemption component, the Series I Bonds are complex financial instruments for the purposes of MIFID II. Accordingly, the Series I Bonds are only suitable for investors who have the knowledge and experience to understand the risks related to the Series I Bonds. An investor must consult with an independent investment advisor before investing in the Series I 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 Series I Bonds, the merits and risks of investing in the Series I 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 Series I Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Series I Bonds meet the investment objectives of the prospective investor; (c) understands thoroughly the terms of the Series I 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 Series I Bonds, and the inherent risks associated with the Issuer's business.

3.2.1.2 The Series I Bonds are redeemable at the option of the Issuer

Any or all of the Series I Bonds may be redeemed by the Issuer on a Designated Early Redemption Date. Once the Series I Bonds are redeemed, the relevant Bondholders shall no longer be entitled to any interest or other rights in relation to those Series I Bonds. If Series I Bonds are redeemed on a Designated Early Redemption Date, Bondholders would not receive the same return on investment that it would have received if they 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 Series I Bonds.

3.2.1.3 Ranking of the collateral granted by the Issuer

The Issuer shall secure its obligations under the Bond Issue by virtue of a second-ranking general hypothec 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 in Malta. 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. Accordingly, should the Issuer default under its obligations of the Bond Issue, the holders of the 2019 Bonds shall be paid out of the assets of the Issuer in priority to the Bondholders. In addition to the aforesaid, privileged creditors will rank with priority over hypothecary debts.

The ranking of collateral has a bearing on the success of a debtor to get paid should the Issuer not have sufficient assets to pay all its creditors. Bondholders 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 Series I Bonds, whether in full or in part.

3.2.1.4 No prior market for the Series I Bonds

Prior to the Bond Issue and Admission, there has been no public market for the Series I Bonds within or outside Malta. Due to the absence of any prior market for the Series I Bonds, there can be no assurance that the price of the Series I Bonds will correspond to the price at which the Series I Bonds will trade in the market subsequent to the Bond Issue. The market price of the Series I 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 Series I Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Series I Bonds at any given time and the general economic conditions in the market in which the Series I 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 Series I 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 Series I 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 Series I Bonds), will have on the market price of the Series I Bonds prevailing from time to time.

3.2.1.7 Interest rate

Investment in the Series I Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Series I 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 Series I 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 Series I 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 Series I Bonds*

In the event that the Issuer wishes to amend any of the Terms and Conditions of the Series I 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 Guarantor and the Collateral**

3.2.2.1 *Risks relating to the business of the Guarantor*

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 Guarantor. If any of the risks mentioned in section 2.2.2 of the Registration Document were to materialise, they would have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Guarantee.

3.2.2.2 *Risks relating to the Guarantee and the Collateral granted by the Guarantor*

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

The strength of the undertakings given under the Guarantee and, accordingly, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Series I Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor. The Guarantee will be further supported by a first ranking special hypothec over the Hypothecated Property. Whilst this grants the Security Trustee a right of preference and priority for repayment over the Hypothecated Property, there can be no guarantee that the value of the Hypothecated Property over the term of the Series I Bonds will be sufficient to cover the full amount of interest and principal outstanding under the Series I 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 Series I 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 Guarantor*

The first ranking security interests to be constituted by the Guarantor 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 and the Qawra II 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 its business, the Guarantor 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.

3.2.3 **Risk relating to funding from other sources**

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

As further described in section 6.13 of this Securities Note, the Issuer shall be issuing the Series I Bonds to fully finance the acquisition of the Mosta Site and the Qawra Site and to partly finance excavation and initial costs of the Mosta Development and the Qawra II Development. Following the completion of the Bond Issue, should the Bond Issue be fully subscribed, the Group shall still require additional financing in the amount of approximately €13 million to complete the Mosta Development and the Qawra II Development. The Issuer's financing strategy is to raise net bond proceeds of approximately €12 million within a twelve (12)-month period from the date of this Prospectus through the issue of a second tranche of bonds which shall be listed on the Official List of the Malta Stock Exchange. The balance of €1 million is to be funded from the gradual sales of units forming part of the Mosta Development and the Qawra II Development. In the event that the second tranche

bonds are undersubscribed or, should it become unfeasible for the Issuer to proceed with a capital market transaction due to prevailing market conditions affecting the demand for the purchase of listed debt instruments of the Issuer, the Group may be required to fund the additional €12 million through bank financing or through its own reserves (or a mix thereof). There is no certainty that the Group will be able to obtain the full capital it requires for the completion of the Mosta Development and the Qawra II Development through the issue of the holders of the second tranche bonds or through bank financing or that it will obtain such financing on favourable terms. Accordingly, the Bondholders are subject to the risk that the completion of the Mosta Development and the Qawra II Development may be stalled and, or, suspended until such financing is obtained by the Issuer, if at all.

A shortage in the financing required will affect the projected pace for the sale of the units forming part of the Mosta Development and the Qawra II Development. In the event that the projected sale of the units is not attained or is delayed, the Group may not have sufficient funds to: (i) complete the Mosta Development and, or, the Qawra II Development; (ii) complete the said projects within the time-frames detailed in the Registration Document; or (iii) pay the contractors as well as any third-parties for works performed and, or, services performed. Should such factors materialise, they could have a material adverse effect on the Group's business, financial condition and results of operations which in turn may have a material impact on the ability to satisfy its repayment obligations under the Series I Bonds.

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 "**Identity of 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 PROSPECTUS

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

For the purposes of any subscription for Series I Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of the Series I 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 Series I Bonds, provided this is limited only:

- (i) in respect of Series I Bonds subscribed for through the Authorised Financial Intermediaries during the Offer Period;
- (ii) to any resale or placement of Series I Bonds subscribed for as aforesaid, taking place in Malta; and
- (iii) to any resale or placement of Series I Bonds subscribed for as aforesaid, taking place within the period of sixty (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 Series I 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 Series I 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 Series I 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 Series I 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 Series I Bonds subsequent to the Bond Issue shall, limitedly for the period of sixty (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 €20.5 million shall be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) approximately €15.7 million of the net proceeds from the Series I Bonds shall be used to finance the acquisition of the Qawra Site and the Mosta Site; and
- (ii) the balance of the net proceeds from the Series I Bonds shall be used to settle €1 million in capital creditor balances and €3.8 million in excavation and development costs to be incurred for the financial year ending 31 December 2021.

The Issuer has established a minimum aggregate subscription amount of €15 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 Series I 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(i) above. Any remaining balance shall be utilised in the following order:

- (i) to settle excavation and development costs to be incurred for the financial year ending 31 December 2021; and
- (ii) to settle capital creditor balances.

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 Series I Bond proceeds until the Series I Bonds are admitted to the Official List of the Malta Stock Exchange. It is expected that within fifteen (15) Business Days following listing of the Series I Bonds:

- (i) the Issuer, the Guarantor and the Security Trustee shall appear on a deed of sale and purchase for the sale and transfer of the Mosta Site and the Qawra Site to the Guarantor. Simultaneously with the entry into of the deed of sale and purchase, each of the Issuer and the Guarantor 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 Guarantor and the Security Trustee shall enter into the Pledge Agreement.

The Issuer has entered into an intra-group loan agreement with the Guarantor pursuant to which it shall advance up to €21 million in funds to the Guarantor for the purposes set out above in this section 5.1. The obligation of the Issuer to advance the said funds to the Guarantor is conditional, *inter alia*, upon the admission of the Series I Bonds on the Official List.

5.2 DYNAMICS FOR CLOSING

The Security Trustee shall release the net proceeds from the issue of the Series I Bonds (€20.5 million) as follows:

- (i) approximately €15.7 million shall be released to vendors of the Qawra Site and the Mosta Site on the deeds of sale. The Security Trustee shall appear on the said deeds of sale and purchase pursuant to a delegation of authority granted by the Guarantor in its favour to pay the purchase price of the Qawra Site and the Mosta Site to the vendors; and
- (ii) following the due perfection of the Collateral, the balance of €4.8 million shall be released to the Issuer for the settlement of capital creditor balances (€1 million) and to GGCL for development works carried out on the Mosta Site and the Qawra Site in a corresponding value to that contained in an architect's confirmation of value of the works.

5.3 FUNDING FROM OTHER SOURCES

The Issuer requires €16.7 million to develop and complete the Mosta Development and the Qawra II Development. From the net proceeds received from the Series I 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 *circa* €13 million required for the completion of the Mosta Development and the Qawra II Development shall be funded as follows:

- (i) approximately €1 million shall be funded from the gradual sales of the units forming parts of the Mosta Development and the Qawra II Development; and
- (ii) the balance of approximately €12 million is intended to be obtained by the Issuer in net bond proceeds through the issue of a second tranche of bonds to be listed on the Official List of the Malta Stock Exchange. In the event that the said bond issue is undersubscribed or, should it become unfeasible for the Issuer to proceed with a capital market transaction due to prevailing market conditions affecting the demand for the purchase of listed debt instruments of the Issuer, the Group may be required to fund the additional €12 million through bank financing or through its own reserves (or a mix thereof).

The Directors are of the view that this financing strategy is in the best interests of the Group to ensure that the terms on which such financing is obtained is in line with prevailing market conditions and demands at the time that the additional funding for the continuation of the development on the Mosta Site and the Qawra Site is required to be obtained.

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 five hundred thousand Euro (€500,000). There is no particular order of priority with respect to such expenses.

5.5 ISSUE STATISTICS

| | |
|--|--|
| Amount: | Up to €21,000,000; |
| Form: | The Series I 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: | MT0001231225; |
| Minimum Amount per Subscription: | Minimum of €2,000 and multiples of €100 thereafter; |
| Redemption Date: | 18 December 2025; |
| Designated Early Redemption Date: | Any date falling between 18 December 2023 and 17 December 2025, 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 Series I Bonds and all interests accrued up to the date of prepayment, by giving not less than thirty (30) days' notice to the Bondholders and "Early Redemption" shall be construed accordingly; |
| Plan of Distribution: | The Series I Bonds are open for subscription by all categories of investors; |
| Bond Issue Price: | At par (€100 per Series I Bond); |
| Status of the Bonds: | The Series I 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 Guarantor and shall at all times rank <i>pari passu</i> and without any preference among themselves; |
| Guarantee: | The joint and several guarantee dated 20 November 2020 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue; |
| Status of the Guarantee: | The Guarantee shall constitute a direct, secured and unconditional obligation of the Guarantor; |
| Collateral: | The following security interests to be constituted in favour of the Security Trustee: (i) the second ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Issuer; (ii) the first ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Guarantor; (iii) the first ranking special hypothec granted by the Guarantor for the full nominal value of the Series I Bonds and interest thereon over the Hypothecated Property; (iv) the first ranking special privilege over the Hypothecated Property for the amount of €15.7 million; and (v) the Pledge. |
| Listing: | The Listing Authority has approved the Series I 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 Series I Bonds to be listed and traded on its Official List; |
| Placement Agreement: | The Issuer shall enter into a conditional placement agreement with MZI whereby an aggregate amount of €11 million in nominal value of the Series I Bonds shall be made available for subscription to MZI; |
| Offer Period: | 08:30 hours on 30 November 2020 to 14:00 hours on 15 December 2020, both days included (or such earlier date as may be determined by the Issuer); |
| Interest: | 3.7% per annum; |
| Interest Payment Date/s: | Annually on 18 December as from 18 December 2021 (the first interest payment date); |
| Governing Law of Bonds: | The Series I 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 Series I Bonds. |

5.6 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for the Series I Bonds by Authorised Financial Intermediaries, 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 Series I Bonds are secured, and Bondholders shall have the benefit of the following collateral:

- (i) the second ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Issuer;
- (ii) the first ranking general hypothec for the full nominal value of the Series I Bonds and interest thereon over all the present and future property of the Guarantor;
- (iii) the first ranking special hypothec granted by the Guarantor for the full nominal value of the Series I Bonds and interest thereon over the Hypothecated Property;

- (iv) the first ranking special privilege over the Hypothecated Property for the amount of €15.7 million; and
- (v) the Pledge.

The Collateral shall be constituted in favour of the Security Trustee for the benefit of all Bondholders registered in the CSD, from time to time. The Issuer and the Guarantor 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 Series I Bonds on the Redemption Date or a Designated Early Redemption Date and interest thereon and the covenants of the Guarantor to pay principal and interest on the Series I Bonds in the event of a claim under the Guarantee in accordance with its terms. The Trust Deed also regulates the constitution of the Collateral and the Guarantee in favour of the Security Trustee and the maintenance of the Reserve Account.

The Guarantee and the Collateral shall be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Series I Bonds. The Security Trustee's role includes holding of the Security Interests for the benefit of the Bondholders and the enforcement of those Security Interests upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Series I Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantor), 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 Series I Bonds on the Redemption Date or a Designated Early Redemption Date.

5.8 RELEASING SECURITY AND THE RESERVE ACCOUNT

All sales of residential units, commercial units and garages / car spaces forming part of the Hypothecated Property 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. For this purpose, the Security Trustee is authorised and empowered, pursuant to the Trust Deed, to release individual units of the Hypothecated Property from security interests encumbering such unit/s and garage/s, car space/s upon receipt by it from the Issuer and, or the Guarantor or from a prospective purchaser of a fixed portion of the purchase price of each unit, garage and 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 and for each unit and garage / car space of the Qawra II Development (the "**Projected Sales Price/s**"). The Projected Sales Prices reflect the opinion of the Directors as at the date of this Prospectus.

In terms of the Trust Deed, 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 an amount as provided hereunder:

- For the initial €20 million of signed sales contracts, the Trustee shall receive 75% of the Projected Sales Price assigned to the respective unit and/or garage/car space being sold; and
- For the next €28 million of signed sales contracts (over and above the initial € 20 million of concluded sales contracts), the Trustee shall receive 75% of the Projected Sales Price assigned to the respective unit and/or garage/car space being sold.

For the purpose of determining the cumulative value of signed sales contracts, the Trustee shall take into consideration the Projected Sales Price of the units and garages/car spaces being sold as agreed (and not the actual contracted value of sale).

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.

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 Series I Bonds on the Redemption Date or a Designated Early Redemption Date or otherwise for the Issuer to re-purchase Series I Bonds in the market for cancellation.

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 in 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 Series I Bonds on the Redemption Date. In the event that a second tranche of bonds for the purpose of financing the Mosta Development and the Qawra II Development is not issued, in full or in part, within twelve (12) months from the date of this Prospectus, the Trustee is empowered to amend the percentages of the Projected Sales Prices which are to be received by the Trustee in order to take into account the liability of the Issuer towards its Bondholders.

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

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

6.1 GENERAL

The principal terms of the Series I Bonds are set out below:

6.1.1 Each Series I Bond forms part of a duly authorised issue of 3.7% Secured Series I Bonds 2023 - 2025 of a nominal value of €100 per Series I Bond issued by the Issuer at par up to the principal amount of €21,000,000 (except as otherwise provided under section 6.2.7 (entitled "**Ranking of Further Issues**") and section 6.13 (entitled "**Further Issues**"). The Issue Date of the Series I Bonds is expected to be 29 December 2020. The Bond Issue is guaranteed by the Guarantor and secured with the Collateral.

6.1.2 The currency of the Series I Bonds is Euro (€).

- 6.1.3 The Series I Bonds are expected to be listed on the Official List on 29 December 2020 and dealing can be expected to commence thereafter. Dealing may commence prior to notification of the amount allotted being issued to Applicants.
- 6.1.4 Subject to admission to listing of the Series I Bonds to the Official List, the Series I Bonds are expected to be assigned MT0001231225.
- 6.1.5 Unless previously purchased and cancelled, the Series I Bonds shall be redeemable at par on the Redemption Date or a Designated Early Redemption Date.
- 6.1.6 The issue of the Series I Bonds is made in accordance with the requirements of the Listing Rules, the Companies Act, and the Prospectus Regulation.
- 6.1.7 The minimum subscription amount of Series I Bonds that can be subscribed for by an Applicant is €2,000 and in multiples of €100 thereafter.
- 6.1.8 In the event that the minimum subscription amount of €15 million of Series I Bonds is not achieved, no allotment of the Series I Bonds shall be made, the subscription to Series I Bonds shall be deemed not to have been accepted by the Issuer and all money received from subscribers shall be refunded accordingly.
- 6.1.9 The Bond Issue is not underwritten.
- 6.1.10 There are no special rights attached to the Series I 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.
- 6.1.11 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 6.1.5 hereof, the Series I Bonds are complex financial instruments for the purpose of MIFID II. Accordingly, the Series I Bonds may only be suitable for investors who have the knowledge and experience to understand the risks related to this type of financial instrument. Potential investors should consult an independent investment advisor before investing in the Series I Bonds.

6.2 RANKING OF THE SERIES I 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 Series I Bonds.

6.2.1 Status of the Series I Bonds

The Series I 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 Series I Bonds by the Guarantor. The Series I Bonds shall at all times rank *pari passu* without any priority or preference among themselves.

6.2.2 Collateral to be Constituted

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

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

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

- (i) a first ranking general hypothec over all its assets, present and future, for the full nominal value of the Series I Bonds and interest thereon; and
- (ii) a first ranking special hypothec over the Hypothecated Property for the full nominal value of the Series I Bonds and interest thereon.

Furthermore, the Guarantor has provided a corporate guarantee in favour of the Security Trustee. In this respect, pursuant to the Trust Deed, the Guarantor shall agree to jointly and severally guarantee the punctual performance by the Issuer under the Series I Bonds by entering into the Guarantee, which shall become effective upon the admission to listing of the Series I Bonds on the Official List of the MSE.

6.2.3 Ranking of Collateral

6.2.3.1 Second-ranking general hypothec granted by the Issuer

The Issuer shall secure its obligations under the Bond Issue by virtue of a second-ranking general hypothec for the full nominal value of the Series I 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 in Malta. A first ranking general hypothec cover the Issuer's assets, present and future, was constituted in favour of the security trustee of the 2019 Bonds¹. Accordingly, in the case of the insolvency of the Issuer, the security trustee of the 2019 Bonds shall be paid out

¹ A first-ranking hypothec was constituted in favour of the security trustee of the 2016 Bonds on the 25 October 2016 by virtue of a public deed enrolled in the record of Notary Dr Sam Abela (note of inscription I 18717/2016). A second-ranking general hypothec was constituted by the Issuer in favour of the security trustee of the 2019 Bonds on the 12 April 2018 by virtue of a public deed in the records of Notary Dr Andre Farrugia (note of inscription I 7589/2019). On the 22 April 2019, the security trustee of the 2016 Bonds cancelled the first-ranking general hypothec constituted in its favour by virtue of a public deed enrolled in the record of Notary Dr Andre Farrugia (note of inscription H 2719/2016). Accordingly, upon such cancellation, the bondholders of the 2019 Bonds benefited from a first-ranking general hypothec in their favour.

of the assets of the Issuer in priority to the Security Trustee (acting for the benefit of 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 *First-ranking general hypothec and first-ranking special hypothec granted by the Guarantor*

The Guarantor 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 Series I Bonds and interest thereon. It shall also constitute a first ranking special hypothec over the Hypothecated Property for the full nominal value of the Series I Bonds and interests thereon. Bondholders shall be paid out of the assets of the Guarantor and the Hypothecated Property in priority to other creditors, except for privileged creditors. 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 Hypothecated Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect, the Guarantor has entered into an agreement with GGCL, the principal contractor, whereby GGCL has, *inter alia*, waived its right to register any special privilege over Mosta Development and the Qawra II Development until such time that the indebtedness under the Series I 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 **Special Privilege**

The Security Trustee shall also obtain the special privilege competent to it pursuant to article 2010 (c) of the Civil Code for the amount of €15.7 million being the aggregate acquisition cost of the Mosta Site and the Qawra Site so financed through the net proceeds of the Bond Issue. A special privilege shall grant the Security Trustee a right of preference to be paid out of the Mosta Development up until the amount of €10.1 million and out of the Qawra II Development up until the amount of €4.6 million.

6.2.5 **Pledge Agreement**

In terms of the Trust Deed, the Guarantor shall enter into the Pledge Agreement. 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.

6.2.6 **Security Trustee**

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

6.2.7 **Ranking of Further Issues**

In the event that a second tranche of bonds for the purpose of financing the Mosta Development and the Qawra II Development is issued within twelve (12) months from the date of this Prospectus, the holders of the collateral constituted in favour of the bondholders of the second tranche of bonds shall rank equally and rateably with the Collateral and the Guarantee.

6.3 **THE GUARANTEE**

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

Information on the Guarantor is contained in section 3.1 of the Registration Document entitled “**Directors, Senior Management, Advisors and Auditors**”, section 4.2 of the Registration Document entitled “**GQM**” (which section contains an overview of the Guarantor’s business), section 5.2.2 of the Registration Document entitled “**Key Financial Review – GQM**” and section 6.1.2 of the Registration Document entitled “**Directors of GQM**”.

6.4 **RIGHTS ATTACHING TO THE SERIES I BONDS**

This Securities Note in its entirety contains the terms and conditions of issue of the Series I Bonds and creates the contract between the Issuer and a Bondholder. Any and all references to the terms and conditions of the Series I 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 Series I 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 Guarantee;
- (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 Series I Bonds emanating from the Prospectus.

6.5 INTEREST

The Series I Bonds shall bear interest from and including 18 December 2020 at the rate of 3.7% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment shall be effected on 18 December 2021 (covering the period 18 December 2020 to 17 December 2021). 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 three hundred and sixty (360) day year consisting of twelve (12) months of thirty (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 Series I Bonds is barred by the lapse of five (5) years.

6.7 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Series I Bonds is 3.7% per annum. The gross yield to call as at the earliest possible Redemption Date (being 18 December 2023) is 3.7% per annum.

6.8 REGISTRATION, FORM, DENOMINATION AND TITLE

Certificates shall not be delivered to Bondholders in respect of the Series I Bonds. The entitlement to Series I 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 Series I 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 Series I 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 Series I Bonds held in the register kept by the CSD and registration advice 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 Series I Bonds shall be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription, the Series I Bonds shall be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Series I 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 Series I 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 Series I Bond. Title to the Series I 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 Series I Bonds shall be made in Euro by the Issuer to the person in whose name such Series I 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 (7) days of the Redemption Date or a 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 Series I Bonds shall be redeemed, and the appropriate entry made in the electronic register of the Series I Bonds at the CSD.

In the case of Series I 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 Series I Bonds.

Payment of interest on a Series I Bond shall be made to the person in whose name such Series I Bond is registered at the close of business fifteen (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 (7) 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 Series I 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 Series I 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 Series I Bonds shall be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 18 December 2025 or, earlier, on a Designated Early Redemption Date.

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

All Series I 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 seventy five percent (75%) in value of the Bondholders, by notice in writing to the Issuer and each Guarantor declare the Series I 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 Series I Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- (ii) the Issuer fails to pay the principal amount of a Series I Bond on the date fixed for its redemption; and such failure continues for a period of sixty (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 sixty (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) the Guarantor distributes dividends without the consent of the Security Trustee;
- (vi) the Collateral and, or, the Guarantee are not enforceable against the Issuer and, or, the Guarantor (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 (1) month;
- (viii) the Issuer stops payment of its debts or ceases or threatens to cease to carry on its business;
- (ix) the Issuer or the Guarantor is unable to pay its 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 Guarantor; 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 the Guarantor, 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 the Guarantor substantially changes the object or nature of business as currently carried on;
- (xiii) the Issuer or the Guarantor commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for thirty (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 Series I 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 Guarantor 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 the Guarantor 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 Guarantor is not paid when properly due or becomes properly due and payable or any creditor of the Issuer or the Guarantor (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 Guarantor 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 Guarantor in connection with the Mosta Development and, or, the Qawra II Development and 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 Guarantor to perform all or any of its obligations hereunder or to develop the Mosta Development and, or, the Qawra II Development or to continue with the development of the said projects;
- (xix) the Issuer or the Guarantor repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Series I Bonds and, or, the Trust Deed; or
- (xx) all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor 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 Series I 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 Guarantor is observing and performing all the obligations, conditions and provisions on their respective parts, as applicable, of the Series I Bonds and the Trust Deed.

6.12 TRANSFERABILITY OF THE BONDS

The Series I 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 Series I 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 Series I 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 Series I Bond, or procuring the transfer of the Series I Bond, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (as duly constituted) of the Series I 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, shall be borne by the Issuer.

The Issuer shall not register the transfer or transmission of Series I Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Series I 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 Series I 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 Series I 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 Series I Bonds in respect of the Collateral.

As described in section 3.2.3.1 of this Securities Note, should the Bond Issue be fully subscribed, the Issuer requires up to a maximum of €13 million in additional financing to complete the Mosta Development and the Qawra II Development. The intention of the Issuer is to obtain such additional financing through the issue of further bonds to be listed on the Official List of the Malta Stock Exchange and, or, through bank financing. Should the Issuer proceed with the afore-mentioned capital market transaction, the bonds so issued may be issued on the same terms as the Series I Bonds as a fungible series or on different terms to the Series I Bonds, however, in either case such second tranche of bonds shall rank *pari passu* with the Series I Bonds. The holders of the second tranche of bonds so issued as aforesaid shall benefit from security interests which rank *pari passu* with those constituted in the name of the Security Trustee for the benefit of Bondholders.

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 Series I Bonds and has the power to make all decisions altering the terms and conditions of the Series I Bonds.
- 6.14.1.2 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 require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds, including any change to a material term of issuance of the Series I 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 Series I 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; and/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 twenty-one (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 fourteen (14) days' notice in writing, call such meeting by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (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 meeting of Bondholders 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 (2) Bondholders present, in person or by proxy, representing not less than fifty percent (50%) in nominal value of the Series I Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (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 (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (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 to 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 Series I 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 set out in section 6.14.3.2 or 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 sixty percent (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 A majority of seventy-five percent (75%) in nominal value of the Bondholders present at the meeting is required for an amendment of the terms of the Prospectus regarding the interest rate and the redemption price.
- 6.14.3.3 At the Bondholder' Meeting each Bondholder may cast one (1) vote for each Series I 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.
- 6.14.3.4 In all matters, the Issuer, the Security Trustee and any Bondholder shall have the right to demand a poll.
- 6.14.3.5 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders an unreasonable advantage at the expense of other Bondholders.
- 6.14.3.6 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.
- 6.14.3.7 The Issuer and the Bondholders shall be notified of resolutions passed at the Bondholders' Meeting.

6.14.4 Participation of Bondholders of Further Issues

In the event that a second tranche of bonds for the purpose of financing the Mosta Development and the Qawra II Development is issued within twelve (12) months from the date of this Prospectus, the said bondholders shall be entitled to participate in Bondholders' Meetings in the same manner as the Bondholders and any quorum or qualified majority required shall be calculated on the aggregate of the nominal value of Series I Bonds and any further bonds issued within a twelve (12) month period as aforesaid.

6.15 AUTHORISATIONS AND APPROVALS

The Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 30 October 2020. The Guarantee being given by the Guarantor in respect of the Series I Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 30 October 2020.

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 twenty four (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 Series I 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 Guarantor arising out of or in connection with the Series I Bond 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 Series I 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 Series I 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 Series I 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 Series I Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder 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 (Chapter 123 of the laws of Malta, hereinafter 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%) and 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 said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his 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 shall also render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest shall be paid gross and such person shall be obliged to declare the interest so received in his 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) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and 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.

Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU, 2015/2376, 2016/881 and 2016/2258) provides for the implementation of the Common Reporting Standard (“CRS”) into Maltese legislation. The CRS has been proposed by the OECD as a new global standard for the automatic exchange of financial account information between tax authorities in participating jurisdictions. CRS has been transposed into Maltese legislation by virtue of the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127 (“CRS Legislation”). Malta based financial institutions (“FIs”) (defined as such for the purposes of CRS) are obliged to identify and report to the Maltese tax authorities financial accounts held by a “Reportable Person” (as defined under the CRS Legislation), and certain entities with one or more Controlling Persons, as defined under the CRS Legislation, which is classified as a Reportable Person. Financial information relating to Series I Bonds and the holders of the Series I Bonds may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

In particular with respect to CRS, the following information will be reported annually by the FIs to the Maltese competent authority in respect of each reportable account maintained by the FIs: (i) the name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth (in the case of an individual); (ii) the account number (or functional equivalent in the absence of an account number); (iii) the account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account; (iv) the total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

The Maltese tax authorities shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority on annual basis, any relevant information that may fall to be classified as reportable, and *vice versa*.

Foreign Tax Compliance Act (“FATCA”) 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, FIs in Malta (defined as such for the purposes of FATCA) are obliged 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 Maltese tax authorities. The Maltese government and the government of the U.S. shall annually exchange the information obtained pursuant to the Order on an automatic basis. Non-compliance may result in a punitive thirty percent (30%) withholding tax on distributions captured by FATCA. Financial account information in respect of holders of the Series I Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

In particular, FIs reserve the right to store, use, process, disclose and report any required information including all current and historical data related to the past and/or present account(s) held by Reportable Persons, including, but not limited to, the name, address, date of birth, place of birth and U.S. TIN, the details of any account transactions, the nature, balances and compositions of the assets held in the account, to the Maltese competent authority.

FIs 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 CRS and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, FIs may take such action as it thinks fit, including without limitation, the closure of the financial account.

7.4 MALTESE TAXATION ON CAPITAL GAINS ON TRANSFER OF THE SERIES I BONDS

As the Series I Bonds do 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”, to the extent that the Series I Bonds are held as capital assets by the Bondholders, no tax on capital gains is chargeable in respect of transfer of the Series I 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), duty is chargeable *inter alia* on the transfer *inter vivos* or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Series I Bonds should not be treated as constituting marketable securities within the meaning of this legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Series I Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Chapter 345 of the laws of Malta) since the Series I Bonds constitute financial instruments of a quoted company (as defined in such act), redemptions and transfers of the Series I Bonds should, in any case, be exempt from duty.

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 SERIES I BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE SERIES I 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.

8.1 EXPECTED TIMETABLE OF THE BOND ISSUE

| | |
|---|--------------------------------|
| 1. Application Forms mailed to Existing Bondholders | 25 November 2020 |
| 2. Application Forms made available to the general public | 30 November 2020 |
| 3. Closing of Offer Period | 15 December 2020 |
| 4. Commencement of interest on the Series I Bonds | 18 December 2020 |
| 5. Expected date of announcement of basis of acceptance | 22 December 2020 |
| 6. Refunds of unallocated monies (if any) | 29 December 2020 |
| 7. Expected dispatch of allotment advices | 29 December 2020 |
| 8. Expected date of admission of the securities to Listing | 29 December 2020 |
| 9. Expected date of commencement of trading in the securities | 30 December 2020 |
| 10. Expected date of constitution of Collateral | not later than 20 January 2021 |

The Issuer reserves the right to close the Offer Period before 15 December 2020, in which case the events set out in points 5 to 9 above, will be brought forward, although the number of working days between the respective events will not be altered.

8.2 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.

- 8.2.1** The issue and allotment of the Series I Bonds is conditional upon the Series I Bonds being admitted to the Official List of the MSE. In the event that either of the aforesaid conditions is not satisfied within fifteen (15) Business Days of the close of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 8.2.2** Applications may be submitted by latest 14:00 hours on 15 December 2020 (but subscription lists may close earlier in the event of over-subscription).
- 8.2.3** 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 the Applicant's remittance 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.
- 8.2.4** The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder 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 Series I 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.
- 8.2.5** 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.
- 8.2.6** In the case of joint Applications, 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 person whose name shall be inserted in the field entitled "Applicant" on the Application Form, 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 whose names appear in the field entitled "Additional Applicants" in the Application Form 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 Series I Bond/s so held.
- 8.2.7** In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person/s authorised to sign and bind such Applicant. 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.
- 8.2.8** In respect of a Series I 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 Series I Bond/s so held and shall have the right to receive interest on the Series I Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Series I Bond/s, have the right to dispose of the Series I Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Series I Bonds (which shall be due to the bare owner).
- 8.2.9** 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 Series I 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 eighteen (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 eighteen (18) years.

- 8.2.10** All Applications for the Series I 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 15 December 2020, together with payment of the full price of the Series I Bonds applied for. 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.
- 8.2.11** In the event that an Applicant has not been allocated any Series I Bonds or has been allocated a number of Series I 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 Series I 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.
- 8.2.12** 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) 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.
- 8.2.13** It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Series I 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.
- 8.2.14** 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.
- 8.2.15** Subscription for Series I 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 Series I 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.
- 8.2.16** The Series I 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.
- 8.2.17** 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.
- 8.2.18** The Series I Bonds will be issued in multiples of one hundred Euro (€100). The minimum subscription amount of Series I Bonds that can be subscribed for by an Applicant is two thousand Euro (€2,000).
- 8.2.19** By not later than 22 December 2020, 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.
- 8.2.20** By completing and delivering an Application Form, the Applicant:
- (i) accepts to be irrevocably contractually committed to acquire the number of Series I Bonds allocated to such Applicant at the Bond Issue Price and, to the fullest extent permitted by law, accepts to be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment, such irrevocable offer to purchase, and pay the consideration for, the number of Series I Bonds specified in the Application Form submitted by the Applicant (or any smaller number of Series I Bonds for which the Application is accepted) at the Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions, the Application Form and the Memorandum and Articles of Association of the Issuer;
 - (ii) 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 Series I Bonds contained therein;
 - (iii) 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 Sponsor, Manager and 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;

- (iv) 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 (Chapter 586 of the laws of Malta) 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;
- (v) 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 (Chapter 586 of the laws of Malta) 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;
- (vi) confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Series I 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;
- (vii) 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;
- (viii) 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 Series I Bonds, unless and until a payment is made in cleared funds for such Series I 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 Series I Bonds); or (ii) the Issuer may, without prejudice to other rights, treat the agreement to allocate such Series I Bonds as void and may allocate such Series I Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Series I Bonds (other than return of such late payment);
- (ix) 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;
- (x) 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;
- (xi) 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;
- (xii) 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;
- (xiii) warrants that where the Applicant is under the age of eighteen (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;
- (xiv) 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 Series I Bonds and/or his/her Application;
- (xv) warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (xvi) 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;

- (xvii) 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 Series I Bonds or the suitability of the Applicant;
- (xviii) agrees that all documents in connection with the issue of the Series I 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 Applications, the address of the first named Applicant) as set out in the Application Form; and
- (xix) 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 Series I Bonds.

8.2.21 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 Series I 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 Series I 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 Series I 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 Series I Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Series I 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 Series I Bonds or investment service offered or demanded, in accordance with the Conduct of Business Rulebook issued by the MFSA. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Series I 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 Series I Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Series I 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 Series I 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 Series I Bonds that are considered suitable for him/her, in accordance with the Conduct of Business Rulebook issued by the MFSA.

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

8.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Issuer will enter into a conditional placement agreement with MZI for the subscription of €11 million in nominal value of Series I Bonds to be subscribed to by MZI for itself or for its underlying clients (the “**Placement Agreement**”).

The Series I Bonds are open for subscription during the Offer Period by Existing Bondholders and the general public. Applications are subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €2,000 and €100 thereafter.

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 Series I 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 Series I 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 Series I Bonds may be considered suitable for the Applicant. The allocation of the Series I Bonds is subject to the allocation policy of the Issuer set out in section 8.6 of this Securities Note.

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 (5) 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.

If subscriptions exceed the reserved portion referred to hereinabove, the unsatisfied excess amounts relative to such Applications will be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the date of final allocation.

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

8.4 PLACEMENT AGREEMENT

In terms of the Placement Agreement, the Issuer shall bind itself to issue, and MZI shall bind itself to subscribe for, the amount of Series I Bonds indicated hereinabove, subject to:

- (i) the Prospectus being approved by the Listing Authority; and
- (ii) the Series I Bonds being admitted to trading on the Official List.

In terms of the Placement Agreement, MZI may subscribe for the Series I Bonds either for its 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 Series I Bonds subscribed for upon commencement of trading; or
- (ii) instruct the Issuer and the Sponsor, Manager and Registrar to issue a portion of the Series I Bonds subscribed by it directly to its underlying customers.

8.5 PRICING

The Series I Bonds are being issued at par, that is, at one hundred Euro (€100) per Series I Bond with the full amount payable upon subscription.

8.6 ALLOCATION POLICY

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

- (i) the amount of €11 million shall be allocated to MZI in accordance with the Placement Agreement; and
- (ii) the balance shall be allocated to Existing Bondholders and the general public in accordance with the allocation policy to be determined by the Issuer, which allocation policy shall give a more favourable allocation of Series I Bonds to Existing Bondholders.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 22 December 2020.

8.7 ADMISSION TO TRADING

The Listing Authority has authorised the Series I Bonds as admissible to listing pursuant to the Listing Rules by virtue of a letter dated 20 November 2020

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

The Series I Bonds are expected to be admitted to the Malta Stock Exchange with effect from 29 December 2020 and trading is expected to commence on 30 December 2020.

8.8 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex IV, the 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 or the Guarantor. 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 FORMS



GAP Group p.l.c. €21,000,000 3.7% Secured Bonds 2023-2025
Guaranteed by Gap QM Limited

APPLICATION FORM 'A'
ELIGIBLE APPLICANT

Application
number

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

A APPLICANT (see notes 2 to 7)

MSE Account No.

| | | | |
|---|---------------|------------------|-------------|
| I.D. CARD/PASSPORT/COMPANY REGISTRATION NO. | DOCUMENT TYPE | COUNTRY OF ISSUE | NATIONALITY |
| LEI (LEGAL ENTITY IDENTIFIER) <i>(if applicant is NOT an individual)</i> | DATE OF BIRTH | TEL. 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 | TEL. NO. | 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 | TEL. NO. | MOBILE NO. |
| I.D. CARD/PASSPORT/COMPANY REGISTRATION NO. | DOCUMENT TYPE | COUNTRY OF ISSUE | NATIONALITY |
| FULL NAME AND SURNAME | DATE OF BIRTH | TEL. NO. | MOBILE NO. |
| I.D. CARD/PASSPORT/COMPANY REGISTRATION NO. | DOCUMENT TYPE | COUNTRY OF ISSUE | NATIONALITY |

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/or Gap Group p.l.c. 3.65% Secured Bonds 2022 (the "2019 Bonds") and is to be submitted where the Applicant elects to apply for Gap Group p.l.c. 3.7% Secured Bonds 2023-2025 (the "Bonds").

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

I/We wish to purchase and acquire the amount set out below in Bonds at the Bond Issue Price (at par) (minimum €2,000 and in multiples of €100 thereafter) pursuant to the Prospectus dated 20 November 2020 ("Prospectus").

AMOUNT IN WORDS

AMOUNT IN FIGURES

€

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.).
- I/We elect to receive interest NET of the 10% FWT (applicable solely to Prescribed Funds)

APPLICATION FORM 'A' CONTINUED

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 |
|-------------|---------------|------------------|

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 |
|------|------|

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.

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
 (or appointed attorney/decision maker)
 (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)

 Date

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 20 November 2020 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 8.2 of the Securities Note dated 20 November 2020 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 20 November 2020 (trading session of 18 November 2020). **APPLICANTS ARE TO NOTE THAT ANY 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 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 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 Panel D overleaf must be in multiples of €100 and subject to a minimum application of €2,000. Payment of the amount included in Panel D must be made in Euro 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. Should any Application not be accepted, or be accepted for fewer Bonds than those applied for, the monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel G. 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 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 15 December 2020. 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 15 December 2020 will not be accepted. The Issuer reserves the right to close the Offer Period before 15 December 2020 in the event of over-subscription.
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 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 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 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.



GAP Group p.l.c. €21,000,000 3.7% Secured Bonds 2023-2025
Guaranteed by Gap QM Limited

APPLICATION FORM 'B'

Application number

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

A APPLICANT (see notes 2 to 7)

Non-Resident Minor (under 18) Body Corporate/Body of Persons CIS-Prescribed Fund

| | | | |
|---|---|---------------------------------------|------------------|
| B Title (MR/MRS/MS/....) | | Full Name & Surname / Registered Name | |
| Address | | | Postcode |
| MSE A/C No. | I.D. Card / Passport / Company Registration No. | Document Type | Country of Issue |
| LEI (Legal Entity Identifier) (if applicant is NOT an individual) | | Date of Birth | Nationality |
| Tel No. / Mobile No. | | | |
| <input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration) | | | |

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)

| | | | | | |
|------------------------|--|---------------------|--|--------------------------|--|
| Title (MR/MRS/MS/....) | | Full Name & Surname | | I.D. Card / Passport No. | |
| Document Type | | Country of Issue | | Date of Birth | |
| | | | | Nationality | |

D DECISION MAKER / MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if applicable)

| | | | | | |
|------------------------|--|---------------------|--|--------------------------|--|
| Title (MR/MRS/MS/....) | | Full Name & Surname | | I.D. Card / Passport No. | |
| Document Type | | Country of Issue | | Date of Birth | |
| | | | | Nationality | |
| Title (MR/MRS/MS/....) | | Full Name & Surname | | I.D. Card / Passport No. | |
| Document Type | | Country of Issue | | Date of Birth | |
| | | | | Nationality | |

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

| | |
|---|-----------------|
| Amount in figures | Amount in words |
| € | |
| Gap Group p.l.c. 3.7% Secured Bonds 2023-2025 (the "Bonds") (minimum €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 20 November 2020 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. | |

F RESIDENT - WITHHOLDING TAX DECLARATION (see note 10 and 11a) (to be completed ONLY if the Applicant is a Resident of Malta)

I/We elect to receive interest NET of FWT I/We elect to receive interest GROSS (i.e. without FWT)

G NON-RESIDENT – DECLARATION FOR TAX PURPOSES (see notes 2 to 10) (to be completed ONLY if the Applicant is a Non-Resident)

| | |
|---|------------------|
| TAX COUNTRY | CITY OF BIRTH |
| TIN (TAX IDENTIFICATION NO.) | COUNTRY OF BIRTH |
| <input type="checkbox"/> NOT resident in Malta but resident in the European Union. <input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union. | |

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

| | |
|------|------|
| BANK | IBAN |
|------|------|

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.

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 (or appointed attorney/decision maker) (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) _____ Date _____

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 20 November 2020 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 8.2 of the Securities Note dated 20 November 2020 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. Applicants who are non-residents in Malta for tax purposes, must complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).**

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), 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 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>.

4. 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). The relative box in Panel A must also be marked appropriately. Any 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.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **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. **APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THIS APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE AFFECTED.**
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 D.
8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro 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 nonresidents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments. In terms of Section 76.2 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. Should any Application not be accepted, or accepted for fewer Bonds than those applied for, monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in panel H. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the 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 15 December 2020. 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 15 December 2020 will not be accepted. The Issuer reserves the right to close the Offer Period before 15 December 2020 in the event of over-subscription.
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 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 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 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.

ANNEX II THE GUARANTEE



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**”).

20 November 2020

Dear Sirs,

Re: GUARANTEE & INDEMNITY

I, Gap QM Limited, a company registered in Malta bearing company registration number C96686 (“GQM”) (hereinafter together with its lawful successors and assigns, referred to as the “Guarantor”), having noted that:

- A.** by virtue of a prospectus dated 20 November 2020 issued by Gap Group p.l.c. (the “**Issuer**”) in connection with the issue of up to €21 million Series I Bonds 2023 – 2025 (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 in Series I Bonds at an annual interest rate of 3.7% to be redeemed and finally repaid on 18 December 2025, or, at the sole option of the Issuer, on any date falling between 18 December 2023 and 17 December 2025, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Series I Bonds and all interests accrued up to the date of prepayment, subject to the terms and conditions of the Prospectus (the “**Series I Bonds**”), a copy of which is hereto attached and marked “**Annex I**”;
- B.** the Guarantor is a fully owned subsidiary company of the Issuer;
- C.** it is a condition precedent for the issuance of the Series I Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity (hereinafter referred to as “**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 Series I 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;

GAP QM LIMITED

Gap Group Head Office, Ċensu Scerri Street, Tigné, Sliema SLM 3060, Malta
Tel: +356 2327 1000, E-Mail: info@gap.com.mt, Web: www.gap.com.mt

- (c) **“writing”** or **“in writing”** shall mean any method of visual representation and shall include facsimile transmissions and other such electronic methods.

2. GUARANTEE

2.1 Covenant to Pay

In satisfaction of the conditions precedent for the issuance of the Series I Bonds, and in consideration of the Bondholders acquiring the Series I Bonds, the Guarantor, as duly authorised, without proof of liability or evidence and as primary obligor, hereby jointly and severally with the Issuer, 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 Series I 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 Series I 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; and (ii) a first-ranking special hypothec over the Mosta Site over which the Mosta Development shall be constructed and developed and over the Qawra Site over which the Qawra II Development shall be constructed and developed.

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 (7) 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;
- (b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever;
- (c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor;
- (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 months prior to the liquidation of the Issuer; and
- (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; and
- (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 (7th) 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 (7) 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, telefax or otherwise and shall be deemed to be received in case of post within seven (7) days of dispatch or in case of other methods immediately upon confirmed transmission.

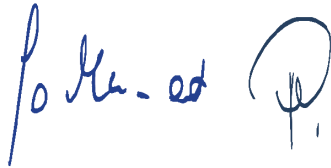
12. APPLICABLE LAW AND JURISDICTION.

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 (3), one (1) 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 (2) 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.

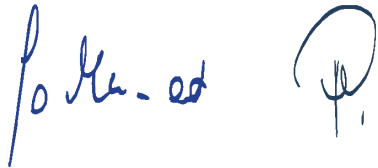
Signature Page

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

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. | BOV Centre, Cannon Road, Zone 4, Central Business District, St Venera CBD 4060 | 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, S 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

20 November 2020

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

20 November 2020

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on 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 being the guarantor of the upcoming issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225 (the "**2020 Bond Guarantor**"); Gap Mellieħa (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 Mellieħa (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 2017 to 31 December 2019 has been extracted from the audited consolidated financial statements of Gap Group.
- (b) Historical financial data has been extracted from the audited financial statements of Gap Mellieħa (I) Limited (FY2017 to FY2019) and Gap Luqa Limited (FY2017 to FY2019).
- (c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2020 and 2021, and the projected financial information relating to the 2020 Bond Guarantor for the period 23 September 2020 to 31 December 2021 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.



M Z I N V E S T M E N T S E R V I C E S

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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M Z I N V E S T M E N T S E R V I C E S

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 €19,312,300; |
| 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 €31,417,500; |
| 2020 Bond(s) | up to €21,000,000 3.70% secured bonds 2023 - 2025 (ISIN: MT0001231225) issued by the Issuer pursuant to a prospectus dated 20 November 2020; |
| 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; |
| Gap Group or Group | the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, 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); |
| GQM | Gap QM Limited (C 96686); |
| Hypothecated Property | the immovable property described hereunder, namely: (i) Block A of the Mellieħa Development is secured in favour of 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 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; |
| 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; |



M Z I N V E S T M E N T S E R V I C E S

| | |
|-----------------------------|---|
| 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; |
| 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 façade directly on Triq id-Difiza Ċivili and on Triq tal- Qares, in Mosta, measuring approximately 5,895m ² , including its subterrains; |
| 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-Porzjunkola, 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; |
| Qawra Site | the site located in Triq in-Nakkri, Qawra, measuring approximately 1,924m ² ; |
| 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); and |
| Żebbuġ Development | the 193 apartments, 2 retail outlets and 144 underlying garage spaces all in a completely finished state, including all common areas and internal streets, forming part of the development on the site in Żebbuġ measuring approximately 6,878m ² . |



M Z I N V E S T M E N T S E R V I C E S

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.

The Gap Group is primarily involved in the construction and development of the Luqa Development, and 3 smaller projects located in Marsascula, Birkirkara and San Pawl tat-Tarġa, Naxxar (see section 5.3 of this report). The Issuer, through GQM, is in the process of acquiring and subsequently developing 2 additional sites located in Mosta and Qawra, details of which are set out in section 4 of this report.

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. The Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

1.2 OVERVIEW OF HISTORICAL DEVELOPMENTS

On 6 September 2016, the Issuer acquired from Gap Group Investments p.l.c. (C 72012) the entire issued share capital of two companies, namely GML and GGL. GML acquired the site known as Ta' Masrija, by virtue of a deed published by Notary Dr Sam Abela on 21 October 2016, over which the Mellieħa Development has been constructed. GGL acquired the site over which the Ġħargħur Development was constructed by virtue of a deed published by Notary Dr Andre Farrugia on 4 February 2016. The Ġħargħur Development is fully complete and the last few remaining units were contracted during 2019.

In addition, by virtue of another share purchase agreement dated 6 September 2016, entered into with Gap Group Investments (III) Limited (C 76675), the Issuer acquired the entire issued share capital of GDL and all the issued ordinary 'A' shares of GHL. GDL holds a one hundred per cent interest in GGF which in turn has the controlling interest in each of GPL and MHL. GPL is the Group company that owned and developed the Żebbuġ Development.

GDL owns an undivided portion of the site situated in Triq il-Porzjunkola corner with Triq it-Tamar in Qawra, over which Blocks A, B and C of the Qawra I Development were developed and are, as at the date of this report, completed. The other undivided portion of land is owned by its affiliate Geom Holdings Limited. The last remaining 2 apartments are subject to promise of sale agreements.

In September 2016, the Issuer issued the 2016 Bonds to finance the Mellieħa Development, the Ġħargħur Development and the Qawra I Development.



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In December 2016, the Group (through GML) made an investment of €2.3 million in GLL (which at the time was a related party), to enable the latter company to enter into a preliminary agreement and settle other ancillary costs relating to the acquisition of a site over which the Luqa Development is being constructed. The deed of purchase was executed on 26 April 2017 and the then outstanding balance of consideration was financed mainly through a bank loan facility. On 24 January 2019, by virtue of a share transfer agreement, the Issuer acquired the entire issued share capital of GLL.

In March 2019, the Issuer issued the 2019 Bonds and thereby reduced the outstanding nominal amount of 2016 Bonds from €40,000,000 to €19,931,000. As at 31 December 2019, the aggregate amount of bonds in issue amounted to €57,544,900, while the reserve account carried a balance of €18,557,920.

In 2019, GPL acquired a parcel of land located in Marsascala by virtue of a deed published by Notary Andre Farrugia on 3 October 2019. That same year, GGL acquired a parcel of land located in Birkirkara by virtue of a public deed published by Notary Anthony Abela on 2 December 2019 and another parcel of land located in San Pawl tat-Targa by virtue of a public deed published by Notary Andre Farrugia on 28 November 2019. All three sites were acquired for the purposes of the development of residential units and garages.

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 AND 2020 BOND GUARANTOR

The following are the directors of each of

GLL, GML and GQM:

| | |
|---------------|--------------------|
| George Muscat | Executive Director |
| Paul Attard | Executive Director |
| Adrian Muscat | Executive Director |

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.

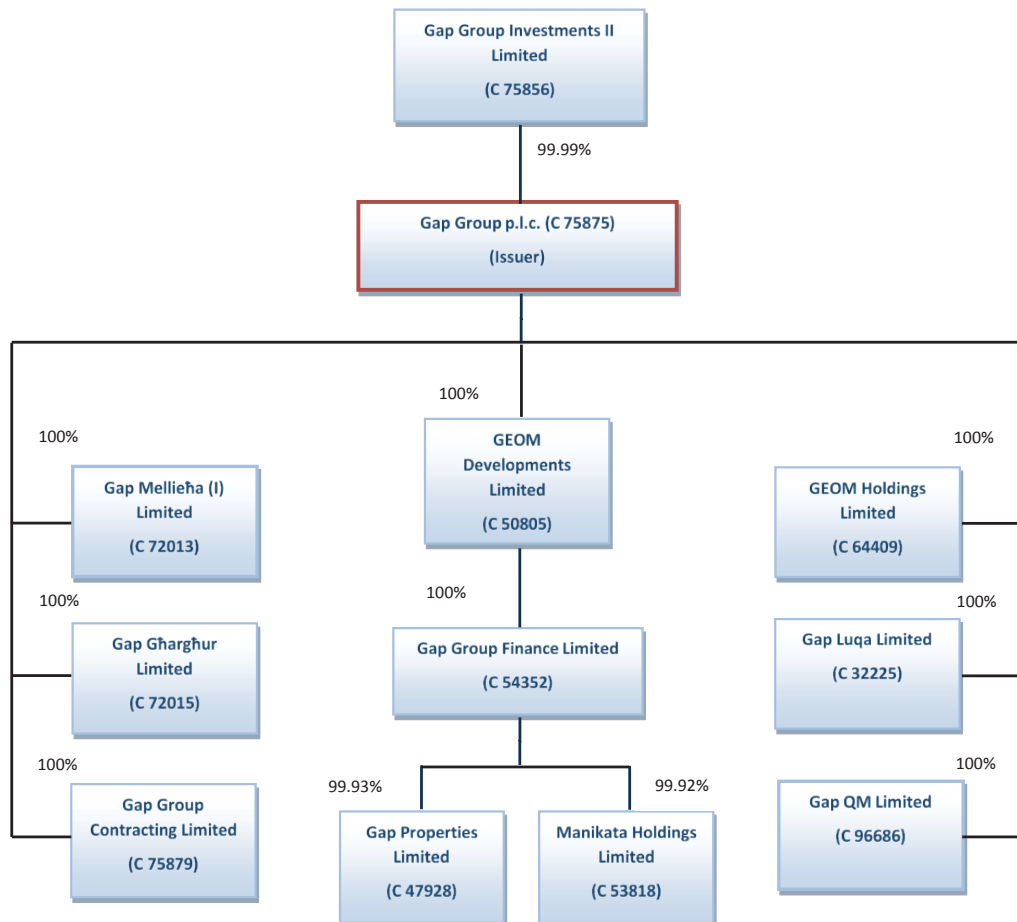


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Senior management of the Group is engaged by GGCL, the members of which are the following:

| | |
|---------------|---------------------------------|
| George Muscat | Chairman |
| Paul Attard | Director of Sales and Marketing |
| Adrian Muscat | Director of Sites |
| Keith Fenech | Chief Financial Officer |
| Raymond Gixti | Project Manager |
| Chris Gauci | Sales and Marketing Manager |
| Elton Deguara | Sales and Marketing 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 GQM 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 2020 BOND GUARANTOR

3.1.1 Gap QM Limited

GQM is a private limited liability company, registered and operating in Malta in terms of the 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 and Mosta Site and develop the Qawra II Development and Mosta Development.

3.2 2019 BOND GUARANTORS

3.2.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the 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.

3.2.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the 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.

3.3 2016 BOND GUARANTOR

3.3.1 Gap Mellieħa (I) Limited

See section 3.2.2 above.



M Z I N V E S T M E N T S E R V I C E S

4. PROPOSED PROJECTS

4.1 QAWRA II DEVELOPMENT

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 21 February 2020 pursuant to which GQM agreed to purchase and acquire 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.

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, 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 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, is expected to be in the region of €7.6 million. Development is intended to commence in Q1 2021, with construction envisaged to be completed by Q1 2022 and fully finished by Q1 2023. Development works will be 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 will be settled by GQM according to agreed fixed monthly payments.

Projected revenues to be generated from the sale of units of the Qawra II Development, net of sales commission, is expected to amount to €19.7 million.

4.2 MOSTA DEVELOPMENT

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 25 February 2020 pursuant to which GQM has agreed to purchase and acquire a building site located directly on Triq id-Difiża Ċivili and on Triq tal-Qares, in Mosta, for a maximum consideration of €11 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.



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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. Development is intended to commence in January 2021, with construction envisaged to be completed by Q3 2022 and fully finished by Q1 2023. Development works will be 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, net of sales commission, is expected to amount to €31.3 million.

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 Ġeraldus Spiteri, Triq W. Briffa, Triq Indri Micallef, Triq I-Aħwa 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.

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 |



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As at 30 September 2020, the development of Zone A and Zone B is fully complete. Progress on the construction of Zone C and Zone D is at *circa* 85% and 40% respectively, while development of Zone E has just commenced. Construction and finishing works in relation to these residential zones are expected to progress gradually, with completion earmarked for Q4 2021. Total estimated cost for completion of all zones is *circa* €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 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 Zone A, B, C and D 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 September 2020, 97 units have been sold for a total revenue of €18.2 million. A further 98 units are subject to promise of sale agreements (aggregate expected revenue of €22 million), out of a total of 225 units (87%) available on the market. The remaining 30 units are expected to generate revenue of *circa* €6 million.

5.2 THE MELLIEĦA 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 Mellieħa over which the Mellieħa Development was developed.

The Mellieħa 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 September 2020, GML had entered into sale contracts for 107 residential units, some comprising garages/car spaces, whilst 27 residential units (including garages/car spaces in some cases) are subject to promise of sale agreements and are expected to be sold for an aggregate value of €8 million (being 84% out of 159 units). The remaining 25 units are expected to generate revenue of *circa* €10.5 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. All 3 sites are covered by Planning Authority permits and development works have commenced. Management expects construction and finishes to be concluded by Q2 2021.

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 Ġuzeppi Lanzon, Marsascala. Construction works have commenced and once completed, the project shall comprise 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 September 2020, demolition and excavation works were fully complete, while construction works were 60% complete. The residential units were placed on the market in April 2020 and as at 30 September 2020, 8 units are subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project amounts to €18.6 million.

5.3.2 San Pawl tat-Tarġa Development

In 2019, GGL acquired a site measuring 330m² and situated in Triq Jean de la Vallette, San Pawl tat-Tarġa, Naxxar, over which 9 residential units and 8 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 September 2020, demolition and excavation works were fully complete, while construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of units forming part of this project amounts to €2.8 million.

5.3.3 Birkirkara Development

In 2019, GGL acquired a site measuring 450m² and situated in Triq Qormi, Birkirkara, over which 14 residential units and 9 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.

As at 30 September 2020, demolition and excavation works were fully complete, while construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of units forming part of this project amounts to €3.4 million.



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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 and, or the 2020 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 2020 Bonds on maturity.

7. TREND INFORMATION AND BUSINESS STRATEGY

7.1 MALTA ECONOMIC UPDATE¹

After several years of high growth fuelled mainly by domestic demand, Malta's economy was beginning to slow down even before the Covid-19 pandemic. The disease and the containment measures it has necessitated, however, are expected to cause the economy to swing from growth of 7.3% in 2018 and 4.7% in 2019 to a contraction of 6.0% in 2020.

It is anticipated that Malta shall be significantly affected by the pandemic in 2021 mainly because of its impact on the tourism sector but also because of the country's partial lockdown and the disruption to international supply-chains. As a result, investment and net exports are expected to be severely hit by the crisis, as well as private consumption. However, should financial aid packages from the Government of Malta continue to be granted, such packages should help to cushion the economic impact. Recent economic indicators, in particular in the construction and manufacturing sectors suggest a modest recovery. In addition, upward revisions in GDP figures from the second half of 2019 may add an artificially negative statistical effect in 2020 rates.

The easing of restrictions intended to mitigate the spread of the pandemic is expected to relaunch domestic demand, pushing GDP annual growth to 6.25% in 2021. The main driver of the recovery is set to come from investment, supported by the recovery packages announced by the authorities. Net exports are also set to contribute significantly to the rebound as global trade gradually normalises.

7.2 PROPERTY MARKET & CONSTRUCTION SECTOR

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, 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.

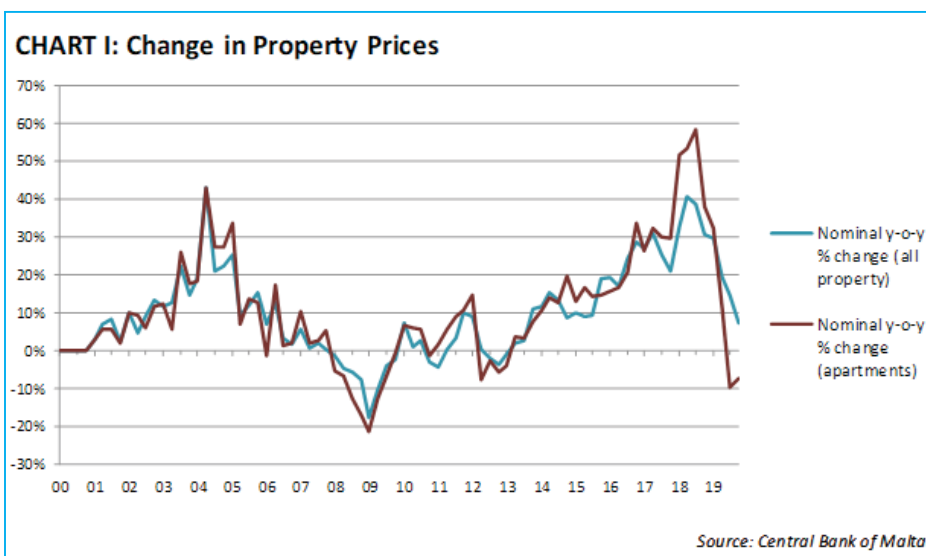
¹ European Economic Forecast – Summer 2020 (European Commission Institutional Paper 132 July/20).

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



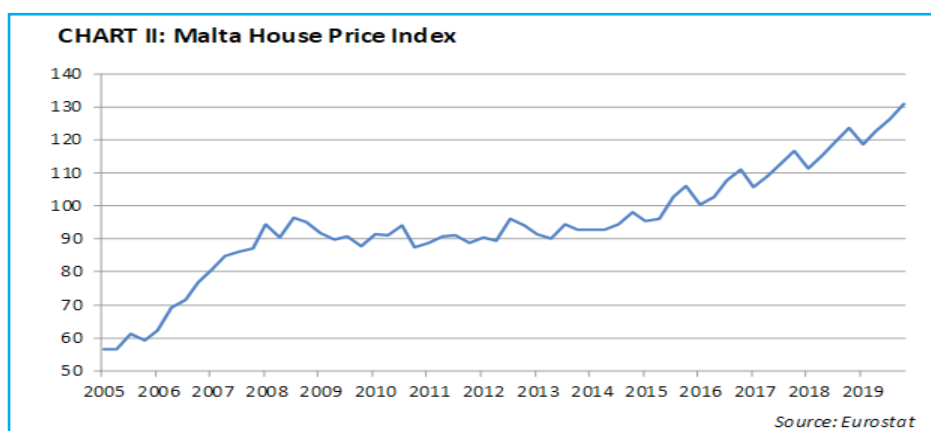
MZ INVESTMENT SERVICES

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 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.



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 Malta¹ – 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 Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2018, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).



¹ <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)).



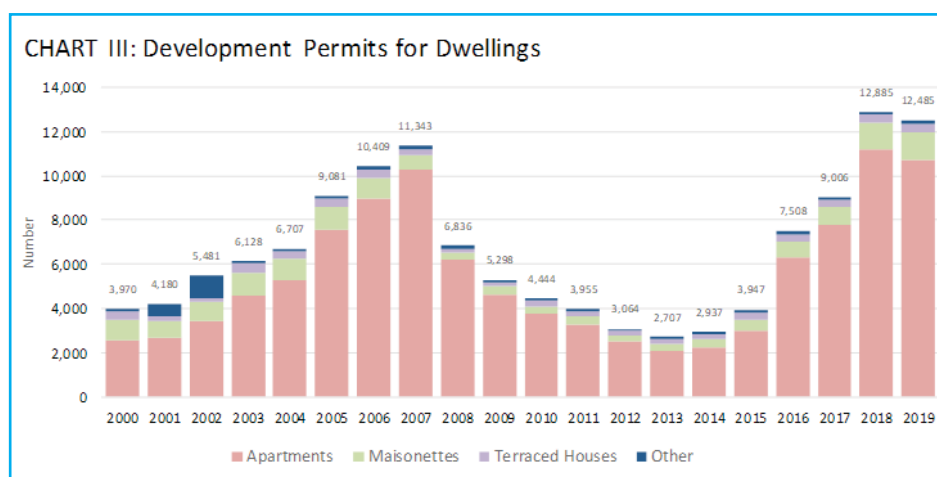
M Z I N V E S T M E N T S E R V I C E S

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 of Malta'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.¹

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%. These reductions will apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 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%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.²



¹ Central Bank of Malta Quarterly Review 2020:1 (page 43).

² Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).



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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 - 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 present economic crisis instigated by the COVID-19 pandemic.

In view of the above, the directors of the Issuer are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy can recover from the impact of the pandemic within a short period of time without materially affecting business confidence, primary industries such as hospitality, and demand for property.

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 Mellieħa 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 and Birkirkara, and initiate construction of the Qawra II Development and Mosta Development.

PART 2 – GAP GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO THE 2016 BOND GUARANTOR AND 2019 BOND GUARANTORS

8.1 GAP MELLIEĦA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2017 to 31 December 2019.

| Gap Mellieħa (I) Limited | | | |
|--|----------------|----------------|----------------|
| Income Statement | | | |
| for the year ended 31 December | | | |
| | 2017 | 2018 | 2019 |
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Revenue | - | 16,193 | 12,953 |
| Cost of sales | - | (10,390) | (8,111) |
| Administrative expenses | (4) | (1,012) | (630) |
| Operating profit | (4) | 4,791 | 4,212 |
| Net finance costs | 2 | (1,056) | (1,109) |
| Profit/(loss) before tax | (2) | 3,735 | 3,103 |
| Taxation | - | (1,256) | (1,003) |
| Total comprehensive income for the year | (2) | 2,479 | 2,100 |



M Z I N V E S T M E N T S E R V I C E S

Gap Mellieha (I) Limited
Cash Flow Statement
for the year ended 31 December

| | 2017 | 2018 | 2019 |
|---|----------------|----------------|----------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Net cash used in operating activities | (1,862) | (3,419) | (2,853) |
| Net cash from investing activities | 99 | 106 | 103 |
| Net cash from financing activities | 1,528 | 3,800 | 2,796 |
| Net movement in cash and cash equivalents | (234) | 487 | 46 |
| Cash and cash equivalents at beginning of period/year | 248 | 14 | 501 |
| Cash and cash equivalents at end of year | 14 | 501 | 547 |

Gap Mellieha (I) Limited
Balance Sheet
as at

| | 31 Dec'17 | 31 Dec'18 | 31 Dec'19 |
|-------------------------------------|----------------------|----------------------|----------------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| ASSETS | | | |
| Non-current assets | | | |
| Loans and other receivables | 2,303 | 2,404 | 2,534 |
| | <u>2,303</u> | <u>2,404</u> | <u>2,534</u> |
| Current assets | | | |
| Inventory - development project | 16,419 | 14,503 | 13,640 |
| Trade and other receivables | 23 | 12,941 | 20,419 |
| Cash and cash equivalents | 14 | 501 | 547 |
| | <u>16,455</u> | <u>27,945</u> | <u>34,606</u> |
| Total assets | <u>18,758</u> | <u>30,349</u> | <u>37,140</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Called up share capital | 1 | 1 | 1 |
| Retained earnings | (6) | 2,473 | 4,573 |
| | <u>(5)</u> | <u>2,474</u> | <u>4,574</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other financial liabilities | 15,270 | 19,170 | 22,119 |
| Other current liabilities | 3,493 | 8,705 | 10,447 |
| | <u>18,763</u> | <u>27,875</u> | <u>32,566</u> |
| Total equity and liabilities | <u>18,758</u> | <u>30,349</u> | <u>37,140</u> |



M Z I N V E S T M E N T S E R V I C E S

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units from the Mellieħa 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.

Capital creditors (primarily GGCL) as at 31 December 2019 amounted to €22.1 million and advance deposits amounted to €1.3 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 2017 to 2019.

Gap Luqa Limited
Income Statement
for the year ended 31 December

| | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Revenue | 3,571 | 2,002 | 11,819 |
| Cost of sales | (2,642) | (1,185) | (6,533) |
| Administrative expenses | (76) | (33) | (552) |
| Operating profit | 853 | 784 | 4,734 |
| Net finance costs | - | - | (351) |
| Profit before tax | 853 | 784 | 4,383 |
| Taxation | (214) | (145) | (920) |
| Total comprehensive income for the year | 639 | 639 | 3,463 |



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

| | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Net cash from (used in) operating activities | (2,162) | (6,690) | 6,396 |
| Net cash from investing activities | - | 1 | - |
| Net cash from (used in) financing activities | 2,339 | 6,544 | (5,816) |
| Net movement in cash and cash equivalents | 177 | (145) | 580 |
| Cash and cash equivalents at beginning of year | 20 | 197 | 52 |
| Cash and cash equivalents at end of year | 197 | 52 | 632 |

Gap Luqa Limited
Balance Sheet

| As at | 31 Dec'17 | 31 Dec'18 | 31 Dec'19 |
|--|------------------|------------------|------------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| ASSETS | | | |
| Current assets | | | |
| Inventory - development project | 9,555 | 11,260 | 12,215 |
| Trade and other receivables | 1,651 | 9,399 | 8,872 |
| Cash and cash equivalents | 197 | 52 | 632 |
| | <u>11,403</u> | <u>20,711</u> | <u>21,719</u> |
| Total assets | 11,403 | 20,711 | 21,719 |
| EQUITY | | | |
| Capital and reserves | | | |
| Called up share capital | 1 | 1 | 1 |
| Retained earnings | 740 | 1,378 | 4,841 |
| | <u>741</u> | <u>1,379</u> | <u>4,842</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank loans and other financial liabilities | 8,504 | 7,522 | 2,534 |
| | <u>8,504</u> | <u>7,522</u> | <u>2,534</u> |
| Current liabilities | | | |
| Bank loans and other financial liabilities | 1,172 | 8,684 | 7,731 |
| Other current liabilities | 986 | 3,126 | 6,612 |
| | <u>2,158</u> | <u>11,810</u> | <u>14,343</u> |
| | <u>10,662</u> | <u>19,332</u> | <u>16,877</u> |
| Total equity and liabilities | 11,403 | 20,711 | 21,719 |



M Z I N V E S T M E N T S E R V I C E S

As at 31 December 2016, GLL held a development property in Lija and the site related to the Luqa Development. No material income was generated in FY2016.

Revenue in FY2017 amounted to €3.6 million, which was generated from the sale of *circa* 70% of units from phase A of the Lija project. The remaining units of Phase A, together with all units in Phase B, were subject to promise of sale agreements. Operating profit in FY2017 amounted to €0.9 million and total comprehensive income amounted to €0.6 million, the difference of which represented tax charge for the year.

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.

Total assets as at 31 December 2019 amounted to €21.7 million (FY2018: €20.7 million) and principally included inventory (work-in-progress on development project) of €12.2 million (FY2018: €11.3 million) and related party loans receivable of €8.9 million (FY2018: €9.4 million). Liabilities mainly comprised related party loans amounting to €10.3 million (FY2018: €11.1 million), advance deposits amounting to €1.4 million (FY2018: €0.9 million) and other creditors of €5.2 million (FY2018: €2.2 million). There was a nil balance in bank loan in FY2019 compared to €5.1 million in the prior year.

9. PROJECTED FINANCIAL INFORMATION RELATING TO THE 2020 GUARANTOR

GQM was established on 23 September 2020 to acquire and develop the Qawra II Development and the Mosta Development. Accordingly, since incorporation to the date of this report, GQM was not involved in any trading or business activities and 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.

| Gap QM Limited | |
|---|--------------------|
| Projected Income Statement | |
| for the period 23 September 2020 to 31 December 2021 | |
| | (€'000) |
| Administrative expenses | <u>(80)</u> |
| Loss for the period | <u>(80)</u> |



M Z I N V E S T M E N T S E R V I C E S

Gap QM Limited
Projected Cash Flow Statement
for the period 23 September 2020 to 31 December 2021

| | (€'000) |
|---|----------|
| Net cash used in operating activities | (19,857) |
| Net cash from financing activities | 19,862 |
| Net movement in cash and cash equivalents | 5 |
| Cash and cash equivalents at beginning of period | - |
| Cash and cash equivalents at end of period | 5 |

Gap QM Limited
Projected Balance Sheet
As at 31 December 2021

| | (€'000) |
|--|----------------------|
| ASSETS | |
| Current assets | |
| Inventory - development project | 21,722 |
| Cash and cash equivalents | 5 |
| | <u>21,727</u> |
| Total assets | <u>21,727</u> |
| EQUITY | |
| Capital and reserves | |
| Called up share capital | 5 |
| Retained earnings | (80) |
| | <u>(75)</u> |
| LIABILITIES | |
| Current liabilities | |
| Borrowings and other financial liabilities | 19,862 |
| Other current liabilities | 1,940 |
| | <u>21,802</u> |
| Total equity and liabilities | <u>21,727</u> |

During the period under review, GQM will be principally involved in the acquisition of the Qawra Site and Mosta Site and development thereof.

Inventory is projected to amount to €21.7 million and will comprise cost of acquisition of the above-mentioned property of €15.6 million and development costs of €6.1 million. Such expenditure is expected to be funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 Bonds).



M Z I N V E S T M E N T S E R V I C E S

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 2017 to 2019. The projected consolidated financial information for the years ending 31 December 2020 and 2021 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 | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Revenue | 14,982 | 30,444 | 28,287 | 24,953 | 54,900 |
| Cost of sales | (11,154) | (21,747) | (20,500) | (16,558) | (40,692) |
| Administrative expenses | (935) | (1,701) | (1,650) | (1,105) | (840) |
| Operating profit | 2,893 | 6,996 | 6,137 | 7,290 | 13,368 |
| Investment income | 349 | 683 | 729 | 480 | 489 |
| Finance costs | (1,460) | (2,258) | (3,493) | (1,639) | (1,822) |
| Profit before tax | 1,782 | 5,421 | 3,373 | 6,131 | 12,035 |
| Taxation | (1,197) | (2,439) | (2,245) | (1,830) | (4,392) |
| Profit for the year | 585 | 2,982 | 1,128 | 4,301 | 7,643 |
| Other comprehensive income | | | | | |
| Movement in fair value of financial assets | 107 | 191 | 157 | 95 | 129 |
| Total comprehensive income for the year | 692 | 3,173 | 1,285 | 4,396 | 7,772 |



M Z I N V E S T M E N T S E R V I C E S

Key Accounting Ratios

| | FY2017 Actual | FY2018 Actual | FY2019 Actual | FY2020 Forecast | FY2021 Projection |
|---|------------------|------------------|------------------|--------------------|----------------------|
| Operating profit margin <i>(Operating profit/revenue)</i> | 19% | 23% | 22% | 29% | 24% |
| Interest cover (times) <i>(Operating profit/net finance cost)</i> | 2.60 | 4.44 | 2.22 | 6.29 | 10.03 |
| Interest cover 2 (times) <i>(Operating profit/finance cost)</i> | 1.98 | 3.10 | 1.76 | 4.45 | 7.34 |
| Net profit margin <i>(Profit after tax/revenue)</i> | 4% | 10% | 4% | 17% | 14% |
| Earnings per share (€) <i>(Profit after tax/number of shares)</i> | 0.23 | 1.19 | 0.45 | 1.72 | 3.06 |
| Return on equity <i>(Profit after tax/shareholders' equity)</i> | 9% | 30% | 10% | 28% | 33% |
| Return on capital employed <i>(Operating profit/total assets less current liabilities)</i> | 6% | 14% | 8% | 7% | 12% |
| Return on assets <i>(Profit after tax/total assets)</i> | 1% | 5% | 1% | 4% | 6% |

Source: MZ Investment Services Limited

During FY2017, Gap Group generated revenue amounting to €15.0 million, an increase of €0.2 million (+1.2%) compared to FP2016, primarily from sales of the remaining units at Žebbuġ and the Qawra Developments. Operating profit for the period amounted to €2.9 million, a decrease of €0.6 million (-16.4%) compared to FP2016. After accounting for investment income and finance costs of €1.1 million (net) and taxation of €1.2 million, the Group reported a profit after tax of €0.6 million. In FY2017, Gap Group registered total comprehensive income of €0.7 million after accounting for a gain of €0.1 million in fair value of financial assets.

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 Mellieħa Development as to €16.2 million and the remaining amount principally from the Qawra Development and Għargħur 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:

- Mellieħa Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, 9 blocks are fully complete, while construction works on another 6 blocks have commenced. Development of the final 6 blocks will start later in the 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 Marsascala, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.



M Z I N V E S T M E N T S E R V I C E S

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 Mellieħa 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.

Operating profit margin was relatively stable above 20% in the last 2 years, but net profit margin declined from 10% in FY2018 to 4% in FY2019. Lower annual profits also impacted return on equity (from 30% to 10%) and return on assets (from 5% to 1%). Interest cover decreased from 4.44 times in FY2018 to 2.22 times due to higher finance costs in the last financial year.

In FY2020, the Group is projecting to generate revenue amounting to €25.0 million compared to €28.3 million in FY2019 (-12%). Approximately 56% of revenue is expected to be generated from sales of units forming part of the Mellieħa Development and *circa* 39% from the Luqa Development. Operating profit for the year is expected to amount to €7.3 million, an increase of €1.2 million from a year earlier, and total comprehensive income is projected at €4.4 million (FY2019: €1.3 million).

In FY2021, the Group expects revenue to more than double from €25.0 million in FY2020 to €54.9 million. Approximately 47% of revenue is projected to be generated from the Luqa Development, while 34% is expected to be derived from projects described in section 5.3 of this report (primarily from the Marsascala Development). Signed contracts relating to units from the Mellieħa Development are expected to make up the remaining balance of projected revenue for FY2021. As such, operating profit is projected to increase by €6.1 million (+83% y-o-y) to €13.4 million (FY2020: €7.3 million), and comprehensive income is expected to increase by 77% to €7.8 million (FY2020: €4.4 million).

GAP Group p.l.c.

Consolidated Cash Flow Statement for the year ended 31 December

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------|---------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from (used in) operating activities | 3,250 | 7,489 | (20,317) | (9,805) | 29,858 |
| Net cash from (used in) investing activities | 569 | 6,939 | (1,206) | 303 | 489 |
| Net cash from (used in) financing activities | (6,339) | (1,285) | 27,395 | 21,345 | 4,780 |
| Net movement in cash and cash equivalents | (2,520) | 13,143 | 5,872 | 11,843 | 35,127 |
| Cash and cash equivalents at beginning of year | 3,701 | 1,181 | 14,324 | 20,196 | 32,039 |
| Cash and cash equivalents at end of year | 1,181 | 14,324 | 20,196 | 32,039 | 67,166 |

Net cash outflow from operating activities in FY2019 amounted to €20.3 million compared to cash inflows of €7.5 million in FY2018. The cash outflow in FY2019 was mainly due to a y-o-y increase of €26.2 million in property inventory. Net cash used in investing activities amounted to €1.2 million (FY2018: cash from investing activities of €6.9 million) and primarily represented funds utilised for the purchase of investments.

Net cash from financing activities in FY2019 amounted to €27.4 million which was principally raised from issuance of bonds and bank loan facilities. In FY2019, net movement in cash and cash equivalents amounted to €5.9 million compared to €13.1 million in FY2018.



M Z I N V E S T M E N T S E R V I C E S

Net movement in cash and cash equivalents in FY2020 is expected to amount to €11.8 million (FY2019: €5.9 million). In operating activities, the operating profit for the year is expected to be absorbed by an increase in inventories (property development) and therefore, net cash outflows are projected at €9.8 million. Net cash from investing activities mainly represents interest income and, in FY2020, is expected to amount to €0.3 million. Net cash from financing activities is estimated at €21.3 million, comprising net drawdowns from bank facilities and debt securities to fund ongoing development works.

Net movement in cash and cash equivalents in FY2021 is projected at €35.1 million (FY2020: €11.8 million). Net cash from operating activities is expected to amount to €30.0 million, primarily on account of cash inflows from final sale contracts. Net cash from investing activities is expected to amount to €0.5 million being marginally higher when compared to the prior year. Net cash from financing activities is estimated at €4.8 million, comprising drawdowns from debt securities of €17.3 million and repayment of borrowings amounting to €12.5 million.

GAP Group p.l.c.

Consolidated Statement of Financial Position as at 31 December

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 30 | 32 | 27 | 27 |
| Investments | 6,072 | 2,145 | 6,012 | 6,189 | 6,189 |
| Loans and other receivables | 10,249 | 11,583 | 10,111 | 12,931 | 13,060 |
| Sinking fund | 4,813 | 3,975 | 24 | - | - |
| | <u>21,144</u> | <u>17,733</u> | <u>16,179</u> | <u>19,147</u> | <u>19,276</u> |
| Current assets | | | | | |
| Inventory - development project | 33,701 | 22,786 | 48,958 | 59,483 | 36,294 |
| Trade and other receivables | 858 | 387 | 2,553 | 887 | 887 |
| Cash and cash equivalents | 1,203 | 624 | 7,698 | 10,622 | 21,209 |
| Sinking fund | - | 13,707 | 12,498 | 21,417 | 45,957 |
| | <u>35,762</u> | <u>37,504</u> | <u>71,707</u> | <u>92,409</u> | <u>104,347</u> |
| Total assets | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>111,556</u> | <u>123,623</u> |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Other capital | 2,708 | 2,900 | 3,057 | 3,030 | 3,030 |
| Retained earnings | 1,488 | 4,469 | 5,598 | 10,021 | 17,792 |
| | <u>6,696</u> | <u>9,869</u> | <u>11,155</u> | <u>15,551</u> | <u>23,322</u> |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings and other financial liabilities | 5 | 5 | 6,141 | 11,242 | 4,751 |
| Debt securities | 39,362 | 39,473 | 56,991 | 76,423 | 88,065 |
| | <u>39,367</u> | <u>39,478</u> | <u>63,132</u> | <u>87,665</u> | <u>92,816</u> |
| Current liabilities | | | | | |
| Bank overdrafts | 22 | 7 | - | - | - |
| Borrowings and other financial liabilities | 3 | 111 | 2,610 | 1,081 | 1,081 |
| Other current liabilities | 10,818 | 5,772 | 10,989 | 7,259 | 6,404 |
| | <u>10,843</u> | <u>5,890</u> | <u>13,599</u> | <u>8,340</u> | <u>7,485</u> |
| | <u>50,210</u> | <u>45,368</u> | <u>76,731</u> | <u>96,005</u> | <u>100,301</u> |
| Total equity and liabilities | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>111,556</u> | <u>123,623</u> |



MZ INVESTMENT SERVICES

Key Accounting Ratios

| | FY2017 Actual | FY2018 Actual | FY2019 Actual | FY2020 Forecast | FY2021 Projection |
|--|------------------|------------------|------------------|--------------------|----------------------|
| Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i> | 80% | 66% | 78% | 76% | 47% |
| Gearing ratio 2 (times) <i>(Total net debt/shareholders' equity)</i> | 4.08 | 1.94 | 3.54 | 3.25 | 0.88 |
| Net debt to Operating profit (years) <i>(Net debt/Operating profit)</i> | 9.44 | 2.74 | 6.44 | 6.93 | 1.54 |
| Net assets per share (€) <i>(Net asset value/number of shares)</i> | 2.68 | 3.95 | 4.46 | 6.22 | 9.33 |
| Liquidity ratio (times) <i>(Current assets/current liabilities)</i> | 3.30 | 6.37 | 5.27 | 11.08 | 13.94 |

Source: MZ Investment Services Limited

Total assets of Gap Group as at 31 December 2017 amounted to €56.9 million and primarily included stock representing real estate property held for resale (€33.7 million), and cash and liquid assets amounting to €7.3 million. Furthermore, loans and other receivables totalling €10.2 million includes an amount of €2.3 million which was advanced to GLL (then being a related party) for the purpose to acquire a property the Luqa site.

Other than equity (€6.7 million), Gap Group is financed through debt securities (€39.4 million) with the cumulative preference shares held GHL amounting to €2.5 million being paid during FY2017.

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieħa 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 FY2019, the leverage of the Group (gearing) weakened from 66% in FY2018 to 78% due to further borrowings undertaken by the Group to finance property developments. The liquidity ratio was at 5.27 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.

In FY2020, the Group expects to raise €21 million through the issue of the 2020 Bonds, of which, €15 million of proceeds will be used to acquire the Qawra Site and the Mosta Site. The remaining balance will be utilised to settle capital creditor balances and development costs in relation to the Qawra II Development and the Mosta Development. As such, inventory is projected to increase from €49.0 million in FY2019 to €59.5 million, while cash balances (including sinking fund amounts) is expected to increase from €20.2 million in FY2019 to €32.0 million.



M Z I N V E S T M E N T S E R V I C E S

In view of the anticipated increase in turnover during FY2021, the statement of financial position as at 31 December 2021 is projected to show a substantial decrease in net debt from €39.3 million in FY2020 to €15.8 million, thereby resulting in a projected decrease in gearing from 76% in FY2020 to 47%. Moreover, net debt to operating profit is expected to improve from 6.93 years to 1.54 years. The equity of the Gap Group is projected to increase by 50% from €15.6 million in FY2020 to €23.3 million, mainly due to a projected y-o-y increase of €7.8 million in retained earnings to €17.8 million.

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

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------|--------------|---------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| 4.25% Secured Bonds 2023 | 4,813 | 17,682 | 17,712 | 19,433 | 19,433 |
| 3.65% Secured Bonds 2022 | | | 822 | 8,173 | 32,713 |
| | <u>4,813</u> | <u>17,682</u> | <u>18,534</u> | <u>27,606</u> | <u>52,146</u> |



MZ INVESTMENT SERVICES

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.

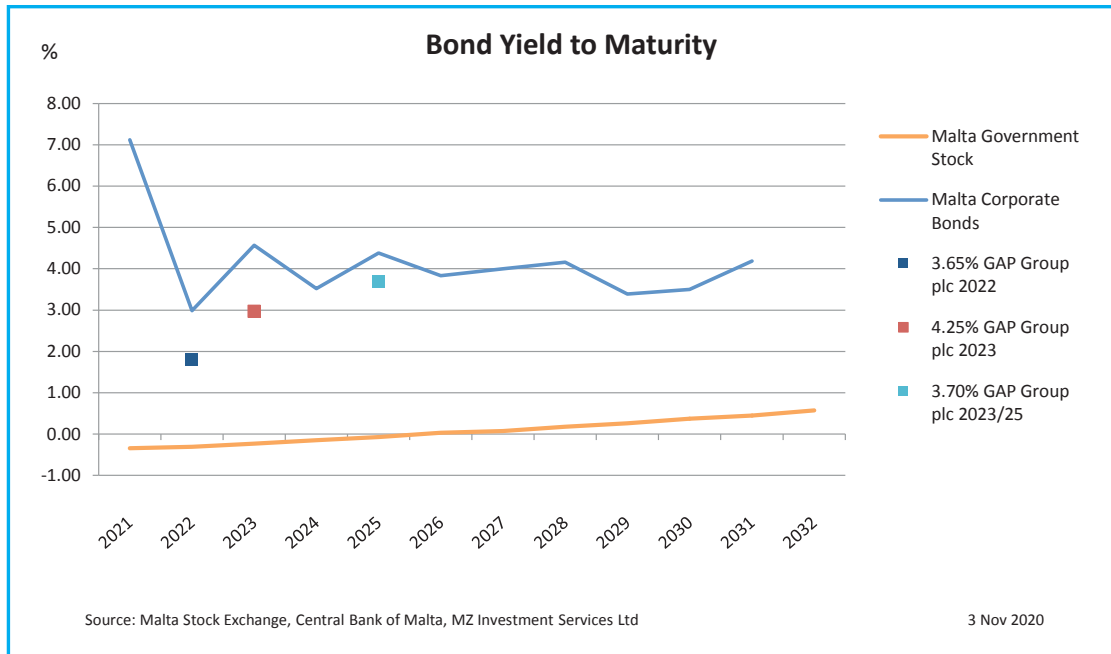
| Comparative Analysis | Nominal Value (€) | Yield to Maturity (%) | Interest Cover (times) | Total Assets (€'000) | Net Asset Value (€'000) | Gearing Ratio (%) |
|--|----------------------|--------------------------|---------------------------|-------------------------|----------------------------|----------------------|
| 5.80% International Hotel Investments plc 2021 | 20,000,000 | 7.12 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.65% GAP Group plc Secured € 2022 | 36,736,700 | 1.80 | 2.22 | 87,886 | 11,155 | 77.98 |
| 6.00% Pendergardens Developments plc Secured € 2022 Series | 26,781,200 | 2.99 | 3.75 | 81,524 | 28,343 | 37.45 |
| 4.25% GAP Group plc Secured € 2023 | 19,394,000 | 2.97 | 2.22 | 87,886 | 11,155 | 77.98 |
| 5.30% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.57 | 1.44 | 36,921 | 8,038 | 70.88 |
| 5.80% International Hotel Investments plc 2023 | 10,000,000 | 5.63 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 6.00% AX Investments Plc € 2024 | 40,000,000 | 4.65 | 5.55 | 342,395 | 226,115 | 19.63 |
| 6.00% International Hotel Investments plc € 2024 | 35,000,000 | 6.02 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 5.30% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.52 | 4.81 | 95,310 | 47,100 | 48.85 |
| 5.00% Hal Mann Vella Group plc Secured € 2024 | 30,000,000 | 3.50 | 2.67 | 117,625 | 45,146 | 53.77 |
| 5.10% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.96 | 3.30 | 137,275 | 45,063 | 30.57 |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 16,000,000 | 3.45 | - | 27,455 | 3,366 | 85.88 |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000,000 | 5.67 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 5.10% GPM Holdings plc Unsecured € 2025 | 13,000,000 | 4.82 | 4.03 | 4,066 | 18,883 | - |
| 4.50% Hili Properties plc Unsecured € 2025 | 37,000,000 | 4.38 | 1.65 | 150,478 | 57,635 | 56.47 |
| 3.70% GAP Group plc Secured € 2023 - 2025 | 21,000,000 | 3.70 | 2.22 | 87,886 | 11,155 | 77.98 |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000,000 | 3.83 | 6.47 | 48,019 | 6,405 | 81.08 |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 4.25 | 2.53 | 1,858,644 | 960,153 | 37.33 |
| 4.00% International Hotel Investments plc Secured € 2026 | 55,000,000 | 4.00 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000,000 | 3.63 | 8.99 | 273,233 | 57,082 | 60.43 |
| 4.00% International Hotel Investments plc Unsecured € 2026 | 60,000,000 | 4.96 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000,000 | 3.20 | 5.55 | 341,785 | 227,069 | 19.11 |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000,000 | 4.53 | 6.86 | 324,427 | 137,612 | 28.31 |
| 4.00% Eden Finance plc Unsecured € 2027 | 40,000,000 | 4.00 | 6.42 | 199,265 | 113,124 | 28.12 |
| 4.00% Stivala Group Finance plc Secured € 2027 | 45,000,000 | 3.83 | 4.92 | 225,284 | 123,107 | 38.32 |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000,000 | 4.16 | 3.87 | 628,916 | 110,128 | 77.11 |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000,000 | 3.39 | 4.92 | 225,284 | 123,107 | 38.32 |
| 3.80% Hili Finance Company plc Unsecured € 2029 | 80,000,000 | 3.93 | 3.87 | 628,916 | 110,128 | 77.11 |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000,000 | 3.61 | 5.55 | 341,785 | 227,069 | 19.11 |

03-Nov-20

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 2031.

The 2019 Bonds are trading at a yield of 1.8%, which is *circa* 119 basis points lower when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 211 basis points.

The 2016 Bonds are trading at a yield of 2.97%, which is *circa* 160 basis points lower when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 320 basis points.

The 2020 Bonds have been priced at a yield of 3.70%, which is *circa* 68 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 357 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



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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. |

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. |
|--------------------|---|

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. |
| 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. |



M Z I N V E S T M E N T S E R V I C E S

| | |
|-------------------------|---|
| 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. |

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. |



Financial Analysis Summary

20 November 2020

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

20 November 2020

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on 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 being the guarantor of the upcoming issue of 3.70% secured bonds 2023 – 2025 (ISIN: MT0001231225 (the "**2020 Bond Guarantor**"); Gap Mellieħa (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 Mellieħa (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 2017 to 31 December 2019 has been extracted from the audited consolidated financial statements of Gap Group.
- (b) Historical financial data has been extracted from the audited financial statements of Gap Mellieħa (I) Limited (FY2017 to FY2019) and Gap Luqa Limited (FY2017 to FY2019).
- (c) The projected consolidated financial data relating to the Issuer for the years ending 31 December 2020 and 2021, and the projected financial information relating to the 2020 Bond Guarantor for the period 23 September 2020 to 31 December 2021 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.



M Z I N V E S T M E N T S E R V I C E S

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



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M Z I N V E S T M E N T S E R V I C E S

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 €19,312,300; |
| 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 €31,417,500; |
| 2020 Bond(s) | up to €21,000,000 3.70% secured bonds 2023 - 2025 (ISIN: MT0001231225) issued by the Issuer pursuant to a prospectus dated 20 November 2020; |
| 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; |
| Gap Group or Group | the Issuer, its parent, GDL, GHL, GGF, GGL, GGCL, GML, GPL, 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); |
| GQM | Gap QM Limited (C 96686); |
| Hypothecated Property | the immovable property described hereunder, namely: (i) Block A of the Mellieħa Development is secured in favour of 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 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; |
| 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; |



M Z I N V E S T M E N T S E R V I C E S

| | |
|-----------------------------|---|
| 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; |
| 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 façade directly on Triq id-Difiza Ċivili and on Triq tal- Qares, in Mosta, measuring approximately 5,895m ² , including its subterrains; |
| 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-Porzjunkola, 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; |
| Qawra Site | the site located in Triq in-Nakkri, Qawra, measuring approximately 1,924m ² ; |
| 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); and |
| Żebbuġ Development | the 193 apartments, 2 retail outlets and 144 underlying garage spaces all in a completely finished state, including all common areas and internal streets, forming part of the development on the site in Żebbuġ measuring approximately 6,878m ² . |



M Z I N V E S T M E N T S E R V I C E S

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.

The Gap Group is primarily involved in the construction and development of the Luqa Development, and 3 smaller projects located in Marsascula, Birkirkara and San Pawl tat-Tarġa, Naxxar (see section 5.3 of this report). The Issuer, through GQM, is in the process of acquiring and subsequently developing 2 additional sites located in Mosta and Qawra, details of which are set out in section 4 of this report.

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. The Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

1.2 OVERVIEW OF HISTORICAL DEVELOPMENTS

On 6 September 2016, the Issuer acquired from Gap Group Investments p.l.c. (C 72012) the entire issued share capital of two companies, namely GML and GGL. GML acquired the site known as Ta' Masrija, by virtue of a deed published by Notary Dr Sam Abela on 21 October 2016, over which the Mellieħa Development has been constructed. GGL acquired the site over which the Ġħargħur Development was constructed by virtue of a deed published by Notary Dr Andre Farrugia on 4 February 2016. The Ġħargħur Development is fully complete and the last few remaining units were contracted during 2019.

In addition, by virtue of another share purchase agreement dated 6 September 2016, entered into with Gap Group Investments (III) Limited (C 76675), the Issuer acquired the entire issued share capital of GDL and all the issued ordinary 'A' shares of GHL. GDL holds a one hundred per cent interest in GGF which in turn has the controlling interest in each of GPL and MHL. GPL is the Group company that owned and developed the Żebbuġ Development.

GDL owns an undivided portion of the site situated in Triq il-Portzjankola corner with Triq it-Tamar in Qawra, over which Blocks A, B and C of the Qawra I Development were developed and are, as at the date of this report, completed. The other undivided portion of land is owned by its affiliate Geom Holdings Limited. The last remaining 2 apartments are subject to promise of sale agreements.

In September 2016, the Issuer issued the 2016 Bonds to finance the Mellieħa Development, the Ġħargħur Development and the Qawra I Development.



M Z I N V E S T M E N T S E R V I C E S

In December 2016, the Group (through GML) made an investment of €2.3 million in GLL (which at the time was a related party), to enable the latter company to enter into a preliminary agreement and settle other ancillary costs relating to the acquisition of a site over which the Luqa Development is being constructed. The deed of purchase was executed on 26 April 2017 and the then outstanding balance of consideration was financed mainly through a bank loan facility. On 24 January 2019, by virtue of a share transfer agreement, the Issuer acquired the entire issued share capital of GLL.

In March 2019, the Issuer issued the 2019 Bonds and thereby reduced the outstanding nominal amount of 2016 Bonds from €40,000,000 to €19,931,000. As at 31 December 2019, the aggregate amount of bonds in issue amounted to €57,544,900, while the reserve account carried a balance of €18,557,920.

In 2019, GPL acquired a parcel of land located in Marsascala by virtue of a deed published by Notary Andre Farrugia on 3 October 2019. That same year, GGL acquired a parcel of land located in Birkirkara by virtue of a public deed published by Notary Anthony Abela on 2 December 2019 and another parcel of land located in San Pawl tat-Targa by virtue of a public deed published by Notary Andre Farrugia on 28 November 2019. All three sites were acquired for the purposes of the development of residential units and garages.

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 AND 2020 BOND GUARANTOR

The following are the directors of each of

GLL, GML and GQM:

| | |
|---------------|--------------------|
| George Muscat | Executive Director |
| Paul Attard | Executive Director |
| Adrian Muscat | Executive Director |

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.

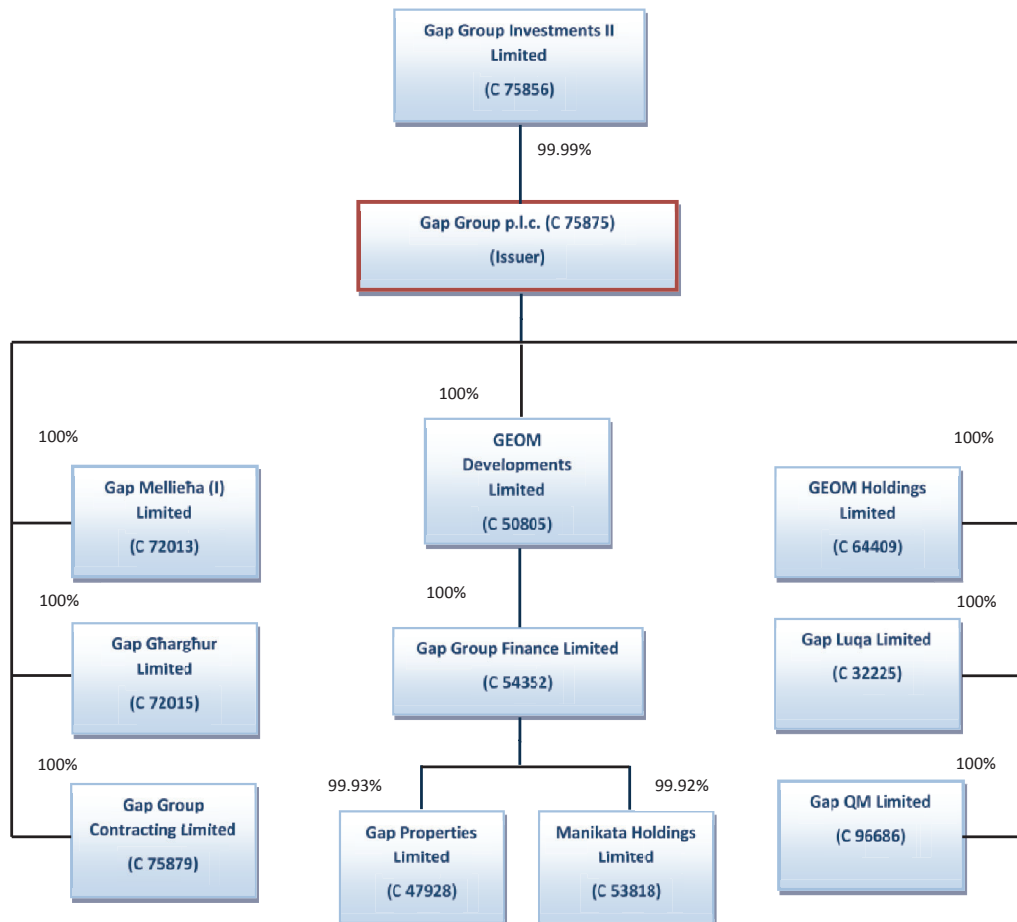


M Z INVESTMENT SERVICES

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 Gixti | Project Manager |
| Chris Gauci | Sales and Marketing Manager |
| Elton Deguara | Sales and Marketing 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 GQM 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 2020 BOND GUARANTOR

3.1.1 Gap QM Limited

GQM is a private limited liability company, registered and operating in Malta in terms of the 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 and Mosta Site and develop the Qawra II Development and Mosta Development.

3.2 2019 BOND GUARANTORS

3.2.1 Gap Luqa Limited

GLL is a single member private limited liability company, registered and operating in Malta in terms of the 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.

3.2.2 Gap Mellieħa (I) Limited

GML is a private limited liability company, registered and operating in Malta in terms of the 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.

3.3 2016 BOND GUARANTOR

3.3.1 Gap Mellieħa (I) Limited

See section 3.2.2 above.



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4. PROPOSED PROJECTS

4.1 QAWRA II DEVELOPMENT

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 21 February 2020 pursuant to which GQM agreed to purchase and acquire 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.

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, 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 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, is expected to be in the region of €7.6 million. Development is intended to commence in Q1 2021, with construction envisaged to be completed by Q1 2022 and fully finished by Q1 2023. Development works will be 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 will be settled by GQM according to agreed fixed monthly payments.

Projected revenues to be generated from the sale of units of the Qawra II Development, net of sales commission, is expected to amount to €19.7 million.

4.2 MOSTA DEVELOPMENT

On 20 October 2020, GQM acquired the rights under a preliminary agreement dated 25 February 2020 pursuant to which GQM has agreed to purchase and acquire a building site located directly on Triq id-Difiża Ċivili and on Triq tal-Qares, in Mosta, for a maximum consideration of €11 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.



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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. Development is intended to commence in January 2021, with construction envisaged to be completed by Q3 2022 and fully finished by Q1 2023. Development works will be 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, net of sales commission, is expected to amount to €31.3 million.

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-Aħwa 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.

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 |



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As at 30 September 2020, the development of Zone A and Zone B is fully complete. Progress on the construction of Zone C and Zone D is at *circa* 85% and 40% respectively, while development of Zone E has just commenced. Construction and finishing works in relation to these residential zones are expected to progress gradually, with completion earmarked for Q4 2021. Total estimated cost for completion of all zones is *circa* €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 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 Zone A, B, C and D 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 September 2020, 97 units have been sold for a total revenue of €18.2 million. A further 98 units are subject to promise of sale agreements (aggregate expected revenue of €22 million), out of a total of 225 units (87%) available on the market. The remaining 30 units are expected to generate revenue of *circa* €6 million.

5.2 THE MELLIEĦA 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 Mellieħa over which the Mellieħa Development was developed.

The Mellieħa 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 September 2020, GML had entered into sale contracts for 107 residential units, some comprising garages/car spaces, whilst 27 residential units (including garages/car spaces in some cases) are subject to promise of sale agreements and are expected to be sold for an aggregate value of €8 million (being 84% out of 159 units). The remaining 25 units are expected to generate revenue of *circa* €10.5 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. All 3 sites are covered by Planning Authority permits and development works have commenced. Management expects construction and finishes to be concluded by Q2 2021.

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 Ġuzeppi Lanzon, Marsascala. Construction works have commenced and once completed, the project shall comprise 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 September 2020, demolition and excavation works were fully complete, while construction works were 60% complete. The residential units were placed on the market in April 2020 and as at 30 September 2020, 8 units are subject to promise of sale agreements. The projected revenue from the sale of units forming part of this project amounts to €18.6 million.

5.3.2 San Pawl tat-Tarġa Development

In 2019, GGL acquired a site measuring 330m² and situated in Triq Jean de la Vallette, San Pawl tat-Tarġa, Naxxar, over which 9 residential units and 8 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 September 2020, demolition and excavation works were fully complete, while construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of units forming part of this project amounts to €2.8 million.

5.3.3 Birkirkara Development

In 2019, GGL acquired a site measuring 450m² and situated in Triq Qormi, Birkirkara, over which 14 residential units and 9 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.

As at 30 September 2020, demolition and excavation works were fully complete, while construction works were 35% complete. The residential units were placed on the market towards the end of Q3 2020. The projected revenue from the sale of units forming part of this project amounts to €3.4 million.



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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 and, or the 2020 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 2020 Bonds on maturity.

7. TREND INFORMATION AND BUSINESS STRATEGY

7.1 MALTA ECONOMIC UPDATE¹

After several years of high growth fuelled mainly by domestic demand, Malta's economy was beginning to slow down even before the Covid-19 pandemic. The disease and the containment measures it has necessitated, however, are expected to cause the economy to swing from growth of 7.3% in 2018 and 4.7% in 2019 to a contraction of 6.0% in 2020.

It is anticipated that Malta shall be significantly affected by the pandemic in 2021 mainly because of its impact on the tourism sector but also because of the country's partial lockdown and the disruption to international supply-chains. As a result, investment and net exports are expected to be severely hit by the crisis, as well as private consumption. However, should financial aid packages from the Government of Malta continue to be granted, such packages should help to cushion the economic impact. Recent economic indicators, in particular in the construction and manufacturing sectors suggest a modest recovery. In addition, upward revisions in GDP figures from the second half of 2019 may add an artificially negative statistical effect in 2020 rates.

The easing of restrictions intended to mitigate the spread of the pandemic is expected to relaunch domestic demand, pushing GDP annual growth to 6.25% in 2021. The main driver of the recovery is set to come from investment, supported by the recovery packages announced by the authorities. Net exports are also set to contribute significantly to the rebound as global trade gradually normalises.

7.2 PROPERTY MARKET & CONSTRUCTION SECTOR

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, 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.

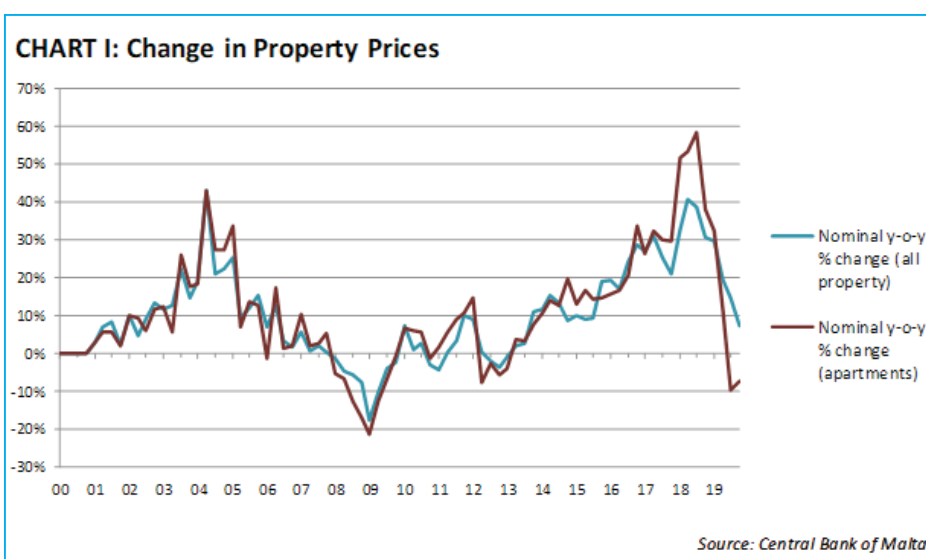
¹ European Economic Forecast – Summer 2020 (European Commission Institutional Paper 132 July/20).

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



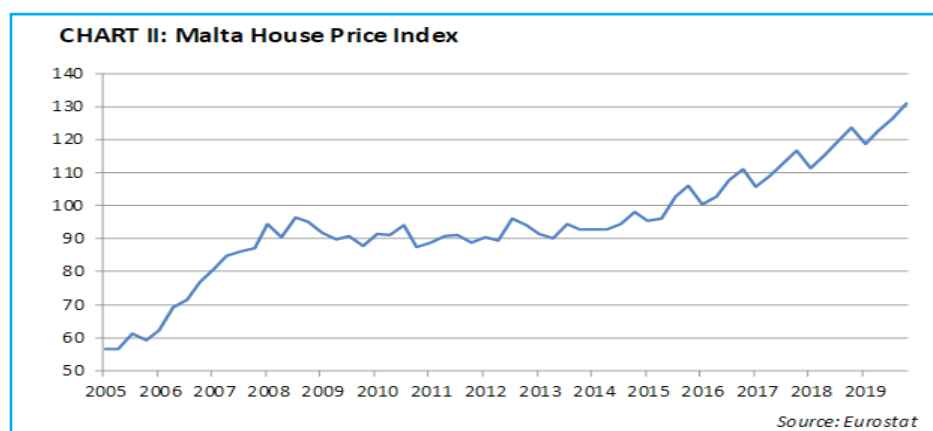
MZ INVESTMENT SERVICES

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 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.



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 Malta¹ – 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 Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2018, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).



¹ <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)).



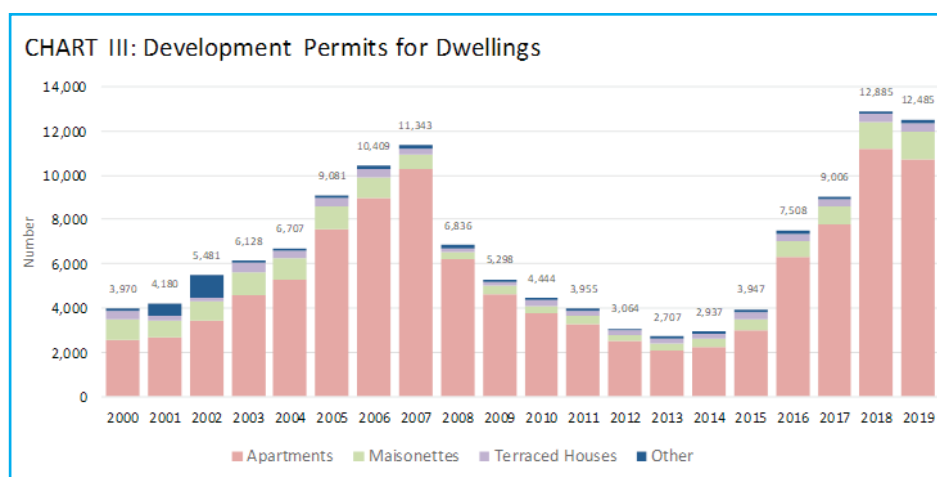
MZ INVESTMENT SERVICES

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 of Malta'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.¹

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%. These reductions will apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 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%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.²



¹ Central Bank of Malta Quarterly Review 2020:1 (page 43).

² Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).



M Z I N V E S T M E N T S E R V I C E S

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 - 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 present economic crisis instigated by the COVID-19 pandemic.

In view of the above, the directors of the Issuer are cautiously optimistic on the health of the Maltese property market, which opinion is based on the assumption that the general economy can recover from the impact of the pandemic within a short period of time without materially affecting business confidence, primary industries such as hospitality, and demand for property.

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 Mellieħa 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 and Birkirkara, and initiate construction of the Qawra II Development and Mosta Development.

PART 2 – GAP GROUP PERFORMANCE REVIEW

8. FINANCIAL INFORMATION RELATING TO THE 2016 BOND GUARANTOR AND 2019 BOND GUARANTORS

8.1 GAP MELLIEĦA (I) LIMITED

The historical financial information about GML is included in the audited financial statements for the year ended 31 December 2017 to 31 December 2019.

| Gap Mellieħa (I) Limited | | | |
|--|----------------|----------------|----------------|
| Income Statement | | | |
| for the year ended 31 December | | | |
| | 2017 | 2018 | 2019 |
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Revenue | - | 16,193 | 12,953 |
| Cost of sales | - | (10,390) | (8,111) |
| Administrative expenses | (4) | (1,012) | (630) |
| Operating profit | (4) | 4,791 | 4,212 |
| Net finance costs | 2 | (1,056) | (1,109) |
| Profit/(loss) before tax | (2) | 3,735 | 3,103 |
| Taxation | - | (1,256) | (1,003) |
| Total comprehensive income for the year | (2) | 2,479 | 2,100 |



M Z I N V E S T M E N T S E R V I C E S

Gap Mellieha (I) Limited
Cash Flow Statement
for the year ended 31 December

| | 2017 | 2018 | 2019 |
|---|----------------|----------------|----------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Net cash used in operating activities | (1,862) | (3,419) | (2,853) |
| Net cash from investing activities | 99 | 106 | 103 |
| Net cash from financing activities | 1,528 | 3,800 | 2,796 |
| Net movement in cash and cash equivalents | (234) | 487 | 46 |
| Cash and cash equivalents at beginning of period/year | 248 | 14 | 501 |
| Cash and cash equivalents at end of year | 14 | 501 | 547 |

Gap Mellieha (I) Limited
Balance Sheet

| as at | 31 Dec'17 | 31 Dec'18 | 31 Dec'19 |
|-------------------------------------|----------------------|----------------------|----------------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| ASSETS | | | |
| Non-current assets | | | |
| Loans and other receivables | 2,303 | 2,404 | 2,534 |
| | <u>2,303</u> | <u>2,404</u> | <u>2,534</u> |
| Current assets | | | |
| Inventory - development project | 16,419 | 14,503 | 13,640 |
| Trade and other receivables | 23 | 12,941 | 20,419 |
| Cash and cash equivalents | 14 | 501 | 547 |
| | <u>16,455</u> | <u>27,945</u> | <u>34,606</u> |
| Total assets | <u>18,758</u> | <u>30,349</u> | <u>37,140</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Called up share capital | 1 | 1 | 1 |
| Retained earnings | (6) | 2,473 | 4,573 |
| | <u>(5)</u> | <u>2,474</u> | <u>4,574</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other financial liabilities | 15,270 | 19,170 | 22,119 |
| Other current liabilities | 3,493 | 8,705 | 10,447 |
| | <u>18,763</u> | <u>27,875</u> | <u>32,566</u> |
| Total equity and liabilities | <u>18,758</u> | <u>30,349</u> | <u>37,140</u> |



M Z I N V E S T M E N T S E R V I C E S

During FY2018, GML generated revenue amounting to €16.2 million from the sale of 43 residential units from the Mellieħa 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.

Capital creditors (primarily GGCL) as at 31 December 2019 amounted to €22.1 million and advance deposits amounted to €1.3 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 2017 to 2019.

Gap Luqa Limited Income Statement for the year ended 31 December

| | 2017 | 2018 | 2019 |
|--|------------|------------|--------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Revenue | 3,571 | 2,002 | 11,819 |
| Cost of sales | (2,642) | (1,185) | (6,533) |
| Administrative expenses | (76) | (33) | (552) |
| Operating profit | 853 | 784 | 4,734 |
| Net finance costs | - | - | (351) |
| Profit before tax | 853 | 784 | 4,383 |
| Taxation | (214) | (145) | (920) |
| Total comprehensive income for the year | 639 | 639 | 3,463 |



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

| | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| Net cash from (used in) operating activities | (2,162) | (6,690) | 6,396 |
| Net cash from investing activities | - | 1 | - |
| Net cash from (used in) financing activities | 2,339 | 6,544 | (5,816) |
| Net movement in cash and cash equivalents | 177 | (145) | 580 |
| Cash and cash equivalents at beginning of year | 20 | 197 | 52 |
| Cash and cash equivalents at end of year | 197 | 52 | 632 |

Gap Luqa Limited
Balance Sheet

| As at | 31 Dec'17 | 31 Dec'18 | 31 Dec'19 |
|--|------------------|------------------|------------------|
| | Audited | Audited | Audited |
| | (€'000) | (€'000) | (€'000) |
| ASSETS | | | |
| Current assets | | | |
| Inventory - development project | 9,555 | 11,260 | 12,215 |
| Trade and other receivables | 1,651 | 9,399 | 8,872 |
| Cash and cash equivalents | 197 | 52 | 632 |
| | <u>11,403</u> | <u>20,711</u> | <u>21,719</u> |
| Total assets | 11,403 | 20,711 | 21,719 |
| EQUITY | | | |
| Capital and reserves | | | |
| Called up share capital | 1 | 1 | 1 |
| Retained earnings | 740 | 1,378 | 4,841 |
| | <u>741</u> | <u>1,379</u> | <u>4,842</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank loans and other financial liabilities | 8,504 | 7,522 | 2,534 |
| | <u>8,504</u> | <u>7,522</u> | <u>2,534</u> |
| Current liabilities | | | |
| Bank loans and other financial liabilities | 1,172 | 8,684 | 7,731 |
| Other current liabilities | 986 | 3,126 | 6,612 |
| | <u>2,158</u> | <u>11,810</u> | <u>14,343</u> |
| Total equity and liabilities | 11,403 | 20,711 | 21,719 |



M Z I N V E S T M E N T S E R V I C E S

As at 31 December 2016, GLL held a development property in Lija and the site related to the Luqa Development. No material income was generated in FY2016.

Revenue in FY2017 amounted to €3.6 million, which was generated from the sale of *circa* 70% of units from phase A of the Lija project. The remaining units of Phase A, together with all units in Phase B, were subject to promise of sale agreements. Operating profit in FY2017 amounted to €0.9 million and total comprehensive income amounted to €0.6 million, the difference of which represented tax charge for the year.

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.

Total assets as at 31 December 2019 amounted to €21.7 million (FY2018: €20.7 million) and principally included inventory (work-in-progress on development project) of €12.2 million (FY2018: €11.3 million) and related party loans receivable of €8.9 million (FY2018: €9.4 million). Liabilities mainly comprised related party loans amounting to €10.3 million (FY2018: €11.1 million), advance deposits amounting to €1.4 million (FY2018: €0.9 million) and other creditors of €5.2 million (FY2018: €2.2 million). There was a nil balance in bank loan in FY2019 compared to €5.1 million in the prior year.

9. PROJECTED FINANCIAL INFORMATION RELATING TO THE 2020 GUARANTOR

GQM was established on 23 September 2020 to acquire and develop the Qawra II Development and the Mosta Development. Accordingly, since incorporation to the date of this report, GQM was not involved in any trading or business activities and 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.

| Gap QM Limited | |
|---|--------------------|
| Projected Income Statement | |
| for the period 23 September 2020 to 31 December 2021 | |
| | (€'000) |
| Administrative expenses | <u>(80)</u> |
| Loss for the period | <u>(80)</u> |



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Gap QM Limited
Projected Cash Flow Statement
for the period 23 September 2020 to 31 December 2021

| | (€'000) |
|---|----------|
| Net cash used in operating activities | (19,857) |
| Net cash from financing activities | 19,862 |
| Net movement in cash and cash equivalents | 5 |
| Cash and cash equivalents at beginning of period | - |
| Cash and cash equivalents at end of period | 5 |

Gap QM Limited
Projected Balance Sheet
As at 31 December 2021

| | (€'000) |
|--|----------------------|
| ASSETS | |
| Current assets | |
| Inventory - development project | 21,722 |
| Cash and cash equivalents | 5 |
| | <u>21,727</u> |
| Total assets | <u>21,727</u> |
| EQUITY | |
| Capital and reserves | |
| Called up share capital | 5 |
| Retained earnings | (80) |
| | <u>(75)</u> |
| LIABILITIES | |
| Current liabilities | |
| Borrowings and other financial liabilities | 19,862 |
| Other current liabilities | 1,940 |
| | <u>21,802</u> |
| Total equity and liabilities | <u>21,727</u> |

During the period under review, GQM will be principally involved in the acquisition of the Qawra Site and Mosta Site and development thereof.

Inventory is projected to amount to €21.7 million and will comprise cost of acquisition of the above-mentioned property of €15.6 million and development costs of €6.1 million. Such expenditure is expected to be funded from amounts advanced by the Issuer (derived from net proceeds of the 2020 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 2017 to 2019. The projected consolidated financial information for the years ending 31 December 2020 and 2021 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 | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Revenue | 14,982 | 30,444 | 28,287 | 24,953 | 54,900 |
| Cost of sales | (11,154) | (21,747) | (20,500) | (16,558) | (40,692) |
| Administrative expenses | (935) | (1,701) | (1,650) | (1,105) | (840) |
| Operating profit | 2,893 | 6,996 | 6,137 | 7,290 | 13,368 |
| Investment income | 349 | 683 | 729 | 480 | 489 |
| Finance costs | (1,460) | (2,258) | (3,493) | (1,639) | (1,822) |
| Profit before tax | 1,782 | 5,421 | 3,373 | 6,131 | 12,035 |
| Taxation | (1,197) | (2,439) | (2,245) | (1,830) | (4,392) |
| Profit for the year | 585 | 2,982 | 1,128 | 4,301 | 7,643 |
| Other comprehensive income | | | | | |
| Movement in fair value of financial assets | 107 | 191 | 157 | 95 | 129 |
| Total comprehensive income for the year | 692 | 3,173 | 1,285 | 4,396 | 7,772 |



M Z I N V E S T M E N T S E R V I C E S

Key Accounting Ratios

| | FY2017 Actual | FY2018 Actual | FY2019 Actual | FY2020 Forecast | FY2021 Projection |
|---|------------------|------------------|------------------|--------------------|----------------------|
| Operating profit margin <i>(Operating profit/revenue)</i> | 19% | 23% | 22% | 29% | 24% |
| Interest cover (times) <i>(Operating profit/net finance cost)</i> | 2.60 | 4.44 | 2.22 | 6.29 | 10.03 |
| Interest cover 2 (times) <i>(Operating profit/finance cost)</i> | 1.98 | 3.10 | 1.76 | 4.45 | 7.34 |
| Net profit margin <i>(Profit after tax/revenue)</i> | 4% | 10% | 4% | 17% | 14% |
| Earnings per share (€) <i>(Profit after tax/number of shares)</i> | 0.23 | 1.19 | 0.45 | 1.72 | 3.06 |
| Return on equity <i>(Profit after tax/shareholders' equity)</i> | 9% | 30% | 10% | 28% | 33% |
| Return on capital employed <i>(Operating profit/total assets less current liabilities)</i> | 6% | 14% | 8% | 7% | 12% |
| Return on assets <i>(Profit after tax/total assets)</i> | 1% | 5% | 1% | 4% | 6% |

Source: MZ Investment Services Limited

During FY2017, Gap Group generated revenue amounting to €15.0 million, an increase of €0.2 million (+1.2%) compared to FP2016, primarily from sales of the remaining units at Żebbuġ and the Qawra Developments. Operating profit for the period amounted to €2.9 million, a decrease of €0.6 million (-16.4%) compared to FP2016. After accounting for investment income and finance costs of €1.1 million (net) and taxation of €1.2 million, the Group reported a profit after tax of €0.6 million. In FY2017, Gap Group registered total comprehensive income of €0.7 million after accounting for a gain of €0.1 million in fair value of financial assets.

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 Mellieħa Development as to €16.2 million and the remaining amount principally from the Qawra Development and Għargħur 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:

- Mellieħa Development – the whole project was completed in April 2020; and
- Luqa Development – out of 21 blocks, 9 blocks are fully complete, while construction works on another 6 blocks have commenced. Development of the final 6 blocks will start later in the 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 Marsascala, San Pawl tat-Tarġa and Birkirkara, all of which are earmarked for the development of residential units.



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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 Mellieħa 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.

Operating profit margin was relatively stable above 20% in the last 2 years, but net profit margin declined from 10% in FY2018 to 4% in FY2019. Lower annual profits also impacted return on equity (from 30% to 10%) and return on assets (from 5% to 1%). Interest cover decreased from 4.44 times in FY2018 to 2.22 times due to higher finance costs in the last financial year.

In FY2020, the Group is projecting to generate revenue amounting to €25.0 million compared to €28.3 million in FY2019 (-12%). Approximately 56% of revenue is expected to be generated from sales of units forming part of the Mellieħa Development and *circa* 39% from the Luqa Development. Operating profit for the year is expected to amount to €7.3 million, an increase of €1.2 million from a year earlier, and total comprehensive income is projected at €4.4 million (FY2019: €1.3 million).

In FY2021, the Group expects revenue to more than double from €25.0 million in FY2020 to €54.9 million. Approximately 47% of revenue is projected to be generated from the Luqa Development, while 34% is expected to be derived from projects described in section 5.3 of this report (primarily from the Marsascala Development). Signed contracts relating to units from the Mellieħa Development are expected to make up the remaining balance of projected revenue for FY2021. As such, operating profit is projected to increase by €6.1 million (+83% y-o-y) to €13.4 million (FY2020: €7.3 million), and comprehensive income is expected to increase by 77% to €7.8 million (FY2020: €4.4 million).

GAP Group p.l.c.

Consolidated Cash Flow Statement for the year ended 31 December

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------|---------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Net cash from (used in) operating activities | 3,250 | 7,489 | (20,317) | (9,805) | 29,858 |
| Net cash from (used in) investing activities | 569 | 6,939 | (1,206) | 303 | 489 |
| Net cash from (used in) financing activities | (6,339) | (1,285) | 27,395 | 21,345 | 4,780 |
| Net movement in cash and cash equivalents | (2,520) | 13,143 | 5,872 | 11,843 | 35,127 |
| Cash and cash equivalents at beginning of year | 3,701 | 1,181 | 14,324 | 20,196 | 32,039 |
| Cash and cash equivalents at end of year | 1,181 | 14,324 | 20,196 | 32,039 | 67,166 |

Net cash outflow from operating activities in FY2019 amounted to €20.3 million compared to cash inflows of €7.5 million in FY2018. The cash outflow in FY2019 was mainly due to a y-o-y increase of €26.2 million in property inventory. Net cash used in investing activities amounted to €1.2 million (FY2018: cash from investing activities of €6.9 million) and primarily represented funds utilised for the purchase of investments.

Net cash from financing activities in FY2019 amounted to €27.4 million which was principally raised from issuance of bonds and bank loan facilities. In FY2019, net movement in cash and cash equivalents amounted to €5.9 million compared to €13.1 million in FY2018.



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Net movement in cash and cash equivalents in FY2020 is expected to amount to €11.8 million (FY2019: €5.9 million). In operating activities, the operating profit for the year is expected to be absorbed by an increase in inventories (property development) and therefore, net cash outflows are projected at €9.8 million. Net cash from investing activities mainly represents interest income and, in FY2020, is expected to amount to €0.3 million. Net cash from financing activities is estimated at €21.3 million, comprising net drawdowns from bank facilities and debt securities to fund ongoing development works.

Net movement in cash and cash equivalents in FY2021 is projected at €35.1 million (FY2020: €11.8 million). Net cash from operating activities is expected to amount to €30.0 million, primarily on account of cash inflows from final sale contracts. Net cash from investing activities is expected to amount to €0.5 million being marginally higher when compared to the prior year. Net cash from financing activities is estimated at €4.8 million, comprising drawdowns from debt securities of €17.3 million and repayment of borrowings amounting to €12.5 million.

GAP Group p.l.c.

Consolidated Statement of Financial Position as at 31 December

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 30 | 32 | 27 | 27 |
| Investments | 6,072 | 2,145 | 6,012 | 6,189 | 6,189 |
| Loans and other receivables | 10,249 | 11,583 | 10,111 | 12,931 | 13,060 |
| Sinking fund | 4,813 | 3,975 | 24 | - | - |
| | <u>21,144</u> | <u>17,733</u> | <u>16,179</u> | <u>19,147</u> | <u>19,276</u> |
| Current assets | | | | | |
| Inventory - development project | 33,701 | 22,786 | 48,958 | 59,483 | 36,294 |
| Trade and other receivables | 858 | 387 | 2,553 | 887 | 887 |
| Cash and cash equivalents | 1,203 | 624 | 7,698 | 10,622 | 21,209 |
| Sinking fund | - | 13,707 | 12,498 | 21,417 | 45,957 |
| | <u>35,762</u> | <u>37,504</u> | <u>71,707</u> | <u>92,409</u> | <u>104,347</u> |
| Total assets | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>111,556</u> | <u>123,623</u> |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Other capital | 2,708 | 2,900 | 3,057 | 3,030 | 3,030 |
| Retained earnings | 1,488 | 4,469 | 5,598 | 10,021 | 17,792 |
| | <u>6,696</u> | <u>9,869</u> | <u>11,155</u> | <u>15,551</u> | <u>23,322</u> |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings and other financial liabilities | 5 | 5 | 6,141 | 11,242 | 4,751 |
| Debt securities | 39,362 | 39,473 | 56,991 | 76,423 | 88,065 |
| | <u>39,367</u> | <u>39,478</u> | <u>63,132</u> | <u>87,665</u> | <u>92,816</u> |
| Current liabilities | | | | | |
| Bank overdrafts | 22 | 7 | - | - | - |
| Borrowings and other financial liabilities | 3 | 111 | 2,610 | 1,081 | 1,081 |
| Other current liabilities | 10,818 | 5,772 | 10,989 | 7,259 | 6,404 |
| | <u>10,843</u> | <u>5,890</u> | <u>13,599</u> | <u>8,340</u> | <u>7,485</u> |
| | <u>50,210</u> | <u>45,368</u> | <u>76,731</u> | <u>96,005</u> | <u>100,301</u> |
| Total equity and liabilities | <u>56,906</u> | <u>55,237</u> | <u>87,886</u> | <u>111,556</u> | <u>123,623</u> |



MZ INVESTMENT SERVICES

Key Accounting Ratios

| | FY2017 Actual | FY2018 Actual | FY2019 Actual | FY2020 Forecast | FY2021 Projection |
|---|------------------|------------------|------------------|--------------------|----------------------|
| Gearing ratio (Total net debt/net debt and shareholders' equity) | 80% | 66% | 78% | 76% | 47% |
| Gearing ratio 2 (times) (Total net debt/shareholders' equity) | 4.08 | 1.94 | 3.54 | 3.25 | 0.88 |
| Net debt to Operating profit (years) (Net debt/Operating profit) | 9.44 | 2.74 | 6.44 | 6.93 | 1.54 |
| Net assets per share (€) (Net asset value/number of shares) | 2.68 | 3.95 | 4.46 | 6.22 | 9.33 |
| Liquidity ratio (times) (Current assets/current liabilities) | 3.30 | 6.37 | 5.27 | 11.08 | 13.94 |

Source: MZ Investment Services Limited

Total assets of Gap Group as at 31 December 2017 amounted to €56.9 million and primarily included stock representing real estate property held for resale (€33.7 million), and cash and liquid assets amounting to €7.3 million. Furthermore, loans and other receivables totalling €10.2 million includes an amount of €2.3 million which was advanced to GLL (then being a related party) for the purpose to acquire a property the Luqa site.

Other than equity (€6.7 million), Gap Group is financed through debt securities (€39.4 million) with the cumulative preference shares held GHL amounting to €2.5 million being paid during FY2017.

As at 31 December 2018, inventory amounted to €22.8 million (FY2017: €33.7 million), primarily on account of progress works on the Mellieħa 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 FY2019, the leverage of the Group (gearing) weakened from 66% in FY2018 to 78% due to further borrowings undertaken by the Group to finance property developments. The liquidity ratio was at 5.27 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.

In FY2020, the Group expects to raise €21 million through the issue of the 2020 Bonds, of which, €15 million of proceeds will be used to acquire the Qawra Site and the Mosta Site. The remaining balance will be utilised to settle capital creditor balances and development costs in relation to the Qawra II Development and the Mosta Development. As such, inventory is projected to increase from €49.0 million in FY2019 to €59.5 million, while cash balances (including sinking fund amounts) is expected to increase from €20.2 million in FY2019 to €32.0 million.



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In view of the anticipated increase in turnover during FY2021, the statement of financial position as at 31 December 2021 is projected to show a substantial decrease in net debt from €39.3 million in FY2020 to €15.8 million, thereby resulting in a projected decrease in gearing from 76% in FY2020 to 47%. Moreover, net debt to operating profit is expected to improve from 6.93 years to 1.54 years. The equity of the Gap Group is projected to increase by 50% from €15.6 million in FY2020 to €23.3 million, mainly due to a projected y-o-y increase of €7.8 million in retained earnings to €17.8 million.

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

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------|--------------|---------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Forecast | Projection |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| 4.25% Secured Bonds 2023 | 4,813 | 17,682 | 17,712 | 19,433 | 19,433 |
| 3.65% Secured Bonds 2022 | | | 822 | 8,173 | 32,713 |
| | <u>4,813</u> | <u>17,682</u> | <u>18,534</u> | <u>27,606</u> | <u>52,146</u> |



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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.

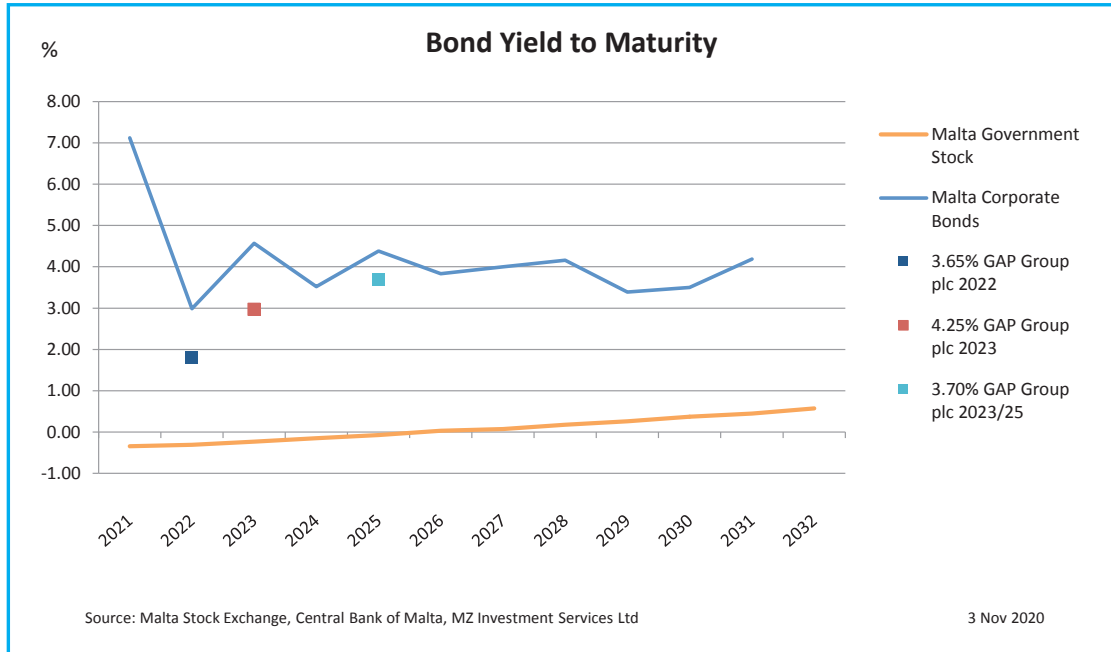
| Comparative Analysis | Nominal Value (€) | Yield to Maturity (%) | Interest Cover (times) | Total Assets (€'000) | Net Asset Value (€'000) | Gearing Ratio (%) |
|--|----------------------|--------------------------|---------------------------|-------------------------|----------------------------|----------------------|
| 5.80% International Hotel Investments plc 2021 | 20,000,000 | 7.12 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.65% GAP Group plc Secured € 2022 | 36,736,700 | 1.80 | 2.22 | 87,886 | 11,155 | 77.98 |
| 6.00% Pendergardens Developments plc Secured € 2022 Series | 26,781,200 | 2.99 | 3.75 | 81,524 | 28,343 | 37.45 |
| 4.25% GAP Group plc Secured € 2023 | 19,394,000 | 2.97 | 2.22 | 87,886 | 11,155 | 77.98 |
| 5.30% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.57 | 1.44 | 36,921 | 8,038 | 70.88 |
| 5.80% International Hotel Investments plc 2023 | 10,000,000 | 5.63 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 6.00% AX Investments Plc € 2024 | 40,000,000 | 4.65 | 5.55 | 342,395 | 226,115 | 19.63 |
| 6.00% International Hotel Investments plc € 2024 | 35,000,000 | 6.02 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 5.30% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.52 | 4.81 | 95,310 | 47,100 | 48.85 |
| 5.00% Hal Mann Vella Group plc Secured € 2024 | 30,000,000 | 3.50 | 2.67 | 117,625 | 45,146 | 53.77 |
| 5.10% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.96 | 3.30 | 137,275 | 45,063 | 30.57 |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 16,000,000 | 3.45 | - | 27,455 | 3,366 | 85.88 |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000,000 | 5.67 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 5.10% GPM Holdings plc Unsecured € 2025 | 13,000,000 | 4.82 | 4.03 | 4,066 | 18,883 | - |
| 4.50% Hili Properties plc Unsecured € 2025 | 37,000,000 | 4.38 | 1.65 | 150,478 | 57,635 | 56.47 |
| 3.70% GAP Group plc Secured € 2023 - 2025 | 21,000,000 | 3.70 | 2.22 | 87,886 | 11,155 | 77.98 |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000,000 | 3.83 | 6.47 | 48,019 | 6,405 | 81.08 |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 4.25 | 2.53 | 1,858,644 | 960,153 | 37.33 |
| 4.00% International Hotel Investments plc Secured € 2026 | 55,000,000 | 4.00 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000,000 | 3.63 | 8.99 | 273,233 | 57,082 | 60.43 |
| 4.00% International Hotel Investments plc Unsecured € 2026 | 60,000,000 | 4.96 | 3.01 | 1,687,198 | 897,147 | 37.31 |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000,000 | 3.20 | 5.55 | 341,785 | 227,069 | 19.11 |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000,000 | 4.53 | 6.86 | 324,427 | 137,612 | 28.31 |
| 4.00% Eden Finance plc Unsecured € 2027 | 40,000,000 | 4.00 | 6.42 | 199,265 | 113,124 | 28.12 |
| 4.00% Stivala Group Finance plc Secured € 2027 | 45,000,000 | 3.83 | 4.92 | 225,284 | 123,107 | 38.32 |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000,000 | 4.16 | 3.87 | 628,916 | 110,128 | 77.11 |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000,000 | 3.39 | 4.92 | 225,284 | 123,107 | 38.32 |
| 3.80% Hili Finance Company plc Unsecured € 2029 | 80,000,000 | 3.93 | 3.87 | 628,916 | 110,128 | 77.11 |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000,000 | 3.61 | 5.55 | 341,785 | 227,069 | 19.11 |

03-Nov-20

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 2031.

The 2019 Bonds are trading at a yield of 1.8%, which is *circa* 119 basis points lower when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 211 basis points.

The 2016 Bonds are trading at a yield of 2.97%, which is *circa* 160 basis points lower when compared to other corporate bonds maturing in 2023. The premium over FY2023 Malta Government Stock is 320 basis points.

The 2020 Bonds have been priced at a yield of 3.70%, which is *circa* 68 basis points lower when compared to other corporate bonds maturing in 2025. The premium over FY2025 Malta Government Stock is 357 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



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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. |

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. |
|--------------------|---|

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. |
| 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. |



M Z I N V E S T M E N T S E R V I C E S

| | |
|-------------------------|---|
| 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. |

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. |