

GAP GROUP p.l.c.

FINANCIAL STATEMENTS

31st DECEMBER 2017

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## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31st DECEMBER 2017

The directors present their report and the audited financial statements of Gap Group p.l.c. for the year ended 31st December 2017.

#### Principal Activities

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

#### Review of business

Works on the developments progressed in a timely fashion and within the planned time frames. The signing of new preliminary agreements maintained a steady momentum whilst a considerable number of units from the Qawra development were contracted.

##### *The Mellieħa development*

By the end of the financial period under review, the first two blocks (Blocks I & J) were fully constructed whilst the second two blocks (Blocks G & H) were circa 60% complete, in terms of construction. The main trade works on the said four blocks also progressed according to plan. Approximately by the end of the financial period under review, the first two blocks (Blocks I & J) were fully constructed whilst the second two blocks (Blocks G & H) were circa 60% complete, in terms of construction. The main trade works on the said four blocks also progressed according to plan. Approximately 70% of the electrical and water works, 80% of the tiling works and 80% of the plastering works of Blocks I & J were accomplished. On the other hand, circa 20% of the electrical and water works and 15% of both tiling and plastering works had been completed on Blocks G & H.

A total estimated works in progress figure of €2.6 Million was achieved during 2017 bringing the total works to date up to €3.6 Million. Full completion of Blocks I & J and Blocks G & H is envisaged by Q2 and Q3 2018 respectively.

Preliminary Agreements signed from the first two blocks (I & J) amounted to 27 apartments whilst another 7 apartments were signed from the second two blocks (G & H) bringing the total number of committed apartments to 34. Furthermore, 40 garages were subject to Preliminary Agreements by the end of December 2017.

The above figures translate into €12.7 Million worth of sales or 53% of the available residential units on the market (Blocks G, H, I and J), 22% of the total residential units and 23% of the garages. Whilst Blocks G & H have been placed on the sales market in May 2017, the remaining six blocks (A to F) will be gradually placed on the sales market.

##### *The Ġħargħur Development*

By the end of December 2017, construction works were coming to an end (90% complete) whilst finishing works have been progressing well with the main trades being electrical and water works at circa 45% completion, plastering works at 35% and tiling works at 23%.

Works in progress during 2017 amounted to circa €1.59 Million rendering the total works in progress figure to circa €1.98 Million.

The progress of works is in line with projected timelines and full completion of this development is expected to be accomplished by not later than Q3 2018.

## Directors' report - continued

### *The Gharghur Development - continued*

The company performed very well in terms of sales at the Gharghur development. During the financial period under review, 27 apartments were sold (by way of preliminary agreements) bringing the total number of committed apartments to 31 which represent 91% of total apartments. On the other hand, a total of 37 garages (84% of total garages) were subject to preliminary agreements.

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

By the end of 2017, the project was fully completed, and a number of units were subject to the final deeds of sale. 51 apartments and 29 garages were contracted during 2017 which amount to 82% and 50% of the total available units respectively. All waiver funds were deposited with the Security Trustee and in line with the terms of the Prospectus.

The remaining apartments are all subject to preliminary agreements whilst 55% of the remaining garages are committed.

The development is a joint venture between GEOM Developments Limited (Blocks A, B and C) and GEOM Holdings Limited (Blocks D, E, F and G), both subsidiaries of the Company. Only Blocks A, B and C have been subject to hypothecation against the issue of the Secured Bonds.

### *The Żebbuġ Development*

The project was completed in 2017 and all the apartments were contracted by the end of Q2 2017. The remaining stock pertains to 31 garages and 1 retail shop. As at end of 2017, the latter, together with a further 9 garages were committed.

## Reserve Account

Pursuant to the bond prospectus dated 16th September 2016, a reserve account has been created by the Security Trustee to cover for the redemption of the bonds. All sales of units forming part of the hypothecated property in favour of the bond issue shall be made on condition that these units are freed from all hypothecary rights and privileges against an agreed amount from the sale proceeds being deposited in the said Reserve Account.

By the end of 2017, the Reserve Account carried a balance of €4,812,825 which amount was derived from signed contracts of the Żebbuġ and Qawra Developments.

Furthermore, unless any of the signed preliminary agreements (pertaining to the Mellieħa, Qawra and Żebbuġ developments) are rescinded, the amount of € 9,482,633 will also be deposited in the Reserve Account from waiver money upon the eventual signing of the final deeds. The total amount of €14,295,458 amounts to 35.74% of the total bond repayment, of which 12.03% forms part of the reserve account.

## Principal risks and uncertainties

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

## Directors' report - continued

### Results and dividends

The results for the year ended 31st December 2017 are shown in the statement of profit and loss on page 13. The group registered a Profit of €691,944, while the company registered a Profit of €225,809.

The directors do not recommend the payment of a dividend.

### Directors

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

George Muscat (*Chairperson*)  
Paul Attard (*Executive Director*)  
Adrian Muscat (*Executive Director*)  
Francis Gouder (*Non-Executive Director*)  
Mark Castillo (*Non-Executive Director*)  
Dr Chris Cilla (*Non-Executive Director*)

The Company's Articles of Association do not require any directors to retire.

### Statement of Directors' responsibilities

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

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

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

### Statement by the Directors pursuant to Listing Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**Directors' report - continued**

**Going Concern statement pursuant to Listing Rule 5.62**

Having reviewed the performance to date and future projected cashflows in relation to the development projects being undertaken by the subsidiaries of the company, the Directors have a reasonable expectation, at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in the preparation of the financial statements.

**Auditor**

A resolution to reappoint Mr. Emanuel P. Fenech F.I.A., A.C.I.B., C.P.A. as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and authorised for issue on 27 April 2018 and signed on its behalf by:

  
George Mustat  
Chairperson

  
Paul Attard  
Director

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

Date : 27 April 2018

## Corporate governance - Statement of compliance

### 1. Introduction

Pursuant to the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, GAP Group p.l.c. is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules.

GAP Group p.l.c. acts as a finance company to the Group and as such has minimal operations. Its primary function is the lending and monitoring of the proceeds of the public bond to the Group. GAP Group p.l.c. has no employees other than the directors and the company secretary.

### 2. Compliance with the Code

The Board of Directors of GAP Group p.l.c. (The Company) believe in the adoption of the Code and has endorsed it except where the size and/or circumstances of the company are deemed by the Board not to warrant the implementation of specific recommendations.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3, 5.97.6 to 5.97.8

Moreover, the Board also acknowledges that the requirements emanating from Directive 2014/95/EU as published in Circular 05/16 – Transposition of Directive 2014/95/EU do not apply to the company since it does not classify as a 'large company' under the definition of the Directive.

### 3. The Board of Directors

The board of directors is responsible for the company's affairs, for the overall direction of the company and being dynamically involved in supervising the systems of control and financial reporting.

The Board meets at least four times annually and is currently composed of six members, three of whom are independent from the Company or related parties.

As at date of this statement, the Board of Directors is composed as follows:

George Muscat (*Executive Director*)  
Paul Attard (*Executive Director*)  
Adrian Muscat (*Executive Director*)  
Francis Gouder (*Non-Executive Director*)  
Mark Castillo (*Non-Executive Director*)  
Dr Chris Cilia (*Non-Executive Director*)

There is no CEO role required in the Company due to the nature of the Company and as such the board carries out the policy decisions regarding the Company.

## Corporate governance - Statement of compliance (Continued)

### 4. Committees

#### i. Audit Committee

In accordance with the Listing Rules, GAP Group p.l.c. has established an Audit Committee, which terms of reference are based on the principles set out by the said Listing Rules. The Audit Committee is entirely composed of independent, non-executive directors. At present, Francis X. Gouder acts as chairperson, whilst Mark Castillo and Dr Chris Cilia LLD act as members. In compliance with the Listing Rules, Francis X. Gouder is the independent Non-Executive Director who is competent in accounting and auditing matters having previously served in various senior positions in several financial institutions.

The committee's primary object is to assist the board in fulfilling its supervisor and monitoring responsibility by reviewing the company's financial statements and disclosures, monitoring the system of internal control established by management as well as the audit process. The audit committee formally convened four times during the financial period ending 31st December 2017.

#### ii. Remuneration and Nomination Committees

Under present circumstances, the board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level and by the board itself.

Remuneration paid to the Directors by the subsidiaries of the Company for the period 1st January 2017 to 31st December 2017 amounted to €125,120

#### iii. Evaluation of the board's performance

Under present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the board's performance is constantly under the scrutiny of the shareholders of the company.

### 5. Internal Control

While the Board is ultimately responsible for the company's internal controls as well as their effectiveness, authority to operate the company is delegated to the Executive Directors. The company's system of internal controls has been drawn up through the Internal Control Manual to manage risks in the most appropriate manner. Procedures are in place for the Company to control, monitor and assess risks and their implications through ongoing cash flow monitoring reports and strategic plans which are presented to the Executive Directors.

### 6. Relations with the market

The market and bondholders alike are kept up to date with all relevant information, the Annual Report and Financial statements, as well as, via company announcements made through the Malta Stock Exchange.

### 7. Institutional shareholders

This principle is not applicable since the company has no institutional shareholders.

**Corporate governance - Statement of compliance (Continued)**

**8. Conflicts of interest**

The directors always act in the interest of the Company and its shareholders. If any director has a conflict of interest, he will not be allowed to vote on the matter at hand. Furthermore, the board of directors and management of the company is in compliance with the obligations towards the rules of Insider Dealing.

**9. Corporate Social Responsibility**

The Group adhered to accepted principles of corporate social responsibility in its day to day practices by acting ethically in the day to day management of the business and strives to improve the quality of life of the workforce as well as of the society at large. The Group also regularly supports charitable causes.

Approved by the Board of Directors and authorised for issue on 27 April 2018 and signed on its behalf by:

  
George Muscat  
Chairperson

  
Paul Attard  
Director



## Independent auditor's report

To the Shareholders of Gap Group p.l.c.

**Report on the Audit of the Financial Statements for the year ended 31st December 2017.**

### Opinion

I have audited the financial statements of Gap Group P.L.C. (the Company), and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 18 to 43 which comprise the statement of financial position as at 31st December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Gap Group p.l.c. and its Group as at 31st December 2017, and of the Company's and its Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

### Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### My audit approach

#### *Scope and timing of the Group audit engagement*

I identified the characteristics of the group audit engagement and defined the scope of this engagement. The group audit engagement included the audit of the listed company and the audits of the companies within the group.

An audit strategy was set up to determine how the audits were to be conducted, setting out the scope, timing and direction of the audit. The audit strategy guided me for the development of the audit plan which contained my detailed responses to my risk assessment and to specific risks identified in the process. The risks were identified and discussed at the planning stage with the audit team and followed up throughout.

An audit timetable was drawn up at the beginning of the audit and communicated with management to abide by the tight deadline represented by reporting requirements of the listed entity to comply with corporate governance and listed rules.

Meetings between the audit engagement partner and the team were held on a weekly basis to discuss issues that arose during the audit so that they were tackled immediately and when necessary, the audit plan was amended accordingly. The team chosen for this engagement was a more senior team taking into consideration the tight deadline and complexity of the engagements in question. More resources were allocated to the group audit to ensure that all necessary audit work was completed and could be reviewed and discussed with partner to meet the deadline.

#### *Levels of materiality and methodology used for the group audit engagement*

The overall group materiality amounted to €614,902 which represents 1% of the consolidated total assets. I chose net assets as the accepted point of reference to the users of the financial statements as it is most commonly used. I chose 1% as it is within the range of acceptable quantitative materiality thresholds in auditing standards.

In line with the levels of materiality I agreed with the audit committee that I would report to them any qualitative misstatements greater than the materiality threshold of €61,490 .

## Independent auditor's report

To the Shareholders of Gap Group p.l.c.

### Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the current period. These matters are addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. The following is the key audit matter identified.

#### *Valuation of inventory*

The Group consists of companies holding immovable property for development and resale. A bond was issued to the public to enable the Company to acquire shares of property development companies and to provide further finance to the group companies to carry on further development. At 31 December 2017, the carrying amount of immovable property held by the Group as inventory represented 55% of total assets.

At Company level, the carrying amount of inventory represents the cost of the land, development costs and borrowing costs.

At Group level, the acquisition method of accounting is applied to account for business combinations. Identifiable assets and liabilities assumed by the business combination are therefore initially measured at their fair values at the acquisition date. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

At year end, the directors assess whether inventory is carried at the lower of cost and net realisable value.

Inventory valuation has been identified as a key audit matter because of the significance of the carrying value of inventories in the Group's Statement of Financial Position and the judgemental nature of the assumptions used by the directors in the assessment described above.

My audit procedures included:

- Audit procedures carried out to verify cost included testing over source documentation, including vouching costs incurred to date, a review of labour costs and a re-calculation of borrowing costs.
- An assessment was made of the reasonableness of cost of property reversed from inventory upon the sale of property.
- Audit procedures carried out in relation to net realisable value included a comparison of estimated selling price to recent market transactions and to similar property on the market and an assessment of the reasonableness of estimated costs to completion.
- I also evaluated the appropriateness as audit evidence of the valuation carried out by an independent valuer.
- I evaluated the adequacy of related disclosures in the financial statements.

Based on my audit work I concluded that the inventories were fairly stated.

## Independent auditor's report

To the Shareholders of Gap Group p.l.c.

### Information other than the Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the Directors' Report, the Statement of Compliance with the Principles of Good Corporate Governance and the Statement of the Directors' Responsibilities.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

With respect to the Directors' report, I also considered whether the Director's report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386). Pursuant to listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, I am required to review the directors' statement in relation to going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Director's Report, in my opinion, based on the work undertaken in the course of the audit:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- The Directors' Report has been prepared in accordance with applicable legal requirements; and
- I have nothing to report in relation to the statement on going concern.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' report and other information that we obtained prior to the date of the auditor's report. We have nothing to report in this regard.

### Responsibilities of the Directors and the Audit Committee

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

## Independent auditor's report

To the Shareholders of Gap Group p.l.c.

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Audit Committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, I determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent auditor's report

To the Shareholders of Gap Group p.l.c.

### Report on Other Legal and Regulatory Requirements

#### Report on the Statement of Compliance with the Principles of Good Corporate Governance

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company's annual financial report a Corporate Governance Statement explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Listing Rule 5.97.

My responsibility is laid down by Listing Rule 5.98, which requires the auditor to include a report to shareholders on the Corporate Governance Statement in the Company's annual financial report.

I read the Statement of Compliance and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. My responsibilities do not extend to considering whether this Statement is consistent with any other information included in the annual report.

I am not required to, and I do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures, or its risk and control procedures.

In my opinion, the Statement of Compliance set out on pages 5 to 7 has been properly prepared in accordance with the requirements of Listing Rules issued by the Malta Listing Authority.

I am also responsible under the Companies Act (Cap. 386), to report to you if, in my opinion:

- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches visited by me.
- The financial statements are not in agreement with the accounting records and returns.
- I have not received all the information and explanations I require for my audit.

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

I was appointed as auditor of the Group on 25 August 2015. My appointment has been renewed annually by resolution representing a total period of uninterrupted engagement period of 2 years.

My opinion on the audit of the financial statements is consistent with the additional report to the audit committee.

I have not provided any of the prohibited services as set out in the Accountancy Profession Act.

Emanuel P. Fenech F.I.A., A.C.I.B., C.P.A.  
Certified Public Accountant

1, Tal-Providenza Mansions  
Main Street  
Balzan  
Malta  
Date: 27 April 2018

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31st DECEMBER 2017**

	Notes	Group		Company	
		2017	2016	2017	2016
		€	€	€	€
Turnover	4	14,981,900	14,804,450	-	-
Cost of sales		(11,154,162)	(10,595,057)	-	-
		3,827,738	4,209,393	-	-
Administrative expenses		(934,934)	(752,460)	(9,336)	(30,160)
<b>Operating profit / (loss)</b>	5	2,892,804	3,456,933	(9,336)	(30,160)
Finance costs	7	(1,460,001)	(1,446,182)	(1,810,898)	(419,178)
Investment income	8	349,499	53,314	2,086,029	457,244
<b>Profit before taxation</b>		1,782,302	2,064,065	265,795	7,906
Tax expense	9	(1,196,960)	(1,161,391)	(39,986)	(2,767)
<b>Profit for the year / period</b>		<b>585,342</b>	<b>902,674</b>	<b>225,809</b>	<b>5,139</b>

**STATEMENT OF COMPREHENSIVE INCOME**

**Other comprehensive income**

Fair value gain on interest free long term loan receivable		106,602	101,526	-	-
Other comprehensive income for the year / period		106,602	101,526	-	-
<b>Total Comprehensive income</b>		<b>691,944</b>	<b>1,004,200</b>	<b>225,809</b>	<b>5,139</b>
<b>Earnings per share</b>		<b>0.23</b>	<b>0.36</b>	<b>0.09</b>	<b>0.00</b>

The notes on pages 18 to 43 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2017**

	Notes	Group		Company	
		2017	2016	2017	2016
		€	€	€	€
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	10,331	3,424	8,250	-
Investment in subsidiaries	12	-	-	21,242,032	21,242,032
Investments - available for sale	13	10,371,800	10,600,000	8,864,300	10,600,000
Loans and other receivables	14	10,761,453	6,998,980	6,220,301	311,455
		<u>21,143,584</u>	<u>17,602,404</u>	<u>36,334,883</u>	<u>32,153,487</u>
<b>Current assets</b>					
Inventory - Development project	15	33,700,954	34,213,205	-	-
Trade and other receivables	16	819,295	1,434,672	20,531,267	14,047,318
Cash and bank balances	17	1,202,707	3,721,802	3,014	2,084,059
Income Tax refundable		39,773	113,567	-	-
		<u>35,762,729</u>	<u>39,483,246</u>	<u>20,534,281</u>	<u>16,131,377</u>
<b>Total Assets</b>		<u>56,906,313</u>	<u>57,085,650</u>	<u>56,869,164</u>	<u>48,284,864</u>

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2017 (continued)

	Notes	Group		Company	
		2017	2016	2017	2016
		€	€	€	€
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	18	2,500,000	2,500,000	2,500,000	2,500,000
Subordinated shareholders' loan - Quasi equity		2,500,000	2,500,000	2,500,000	2,500,000
Fair value reserve		208,128	101,526	-	-
Retained earnings		1,488,016	902,674	230,948	5,139
<b>Total equity</b>		<b>6,696,144</b>	<b>6,004,200</b>	<b>5,230,948</b>	<b>5,005,139</b>
<b>Non-current liabilities</b>					
Other financial liabilities	21	4,907	2,502,909	-	-
Debt securities in issue	20	39,362,336	39,310,407	39,362,336	39,310,407
<b>Total non-current liabilities</b>		<b>39,367,243</b>	<b>41,813,316</b>	<b>39,362,336</b>	<b>39,310,407</b>
<b>Current liabilities</b>					
Bank overdraft and loans	20	22,067	20,596	-	-
Trade and other payables	21	10,818,139	9,247,538	7,112,219	3,655,751
Other financial liabilities	21	2,720	-	5,163,456	310,800
Taxation due		-	-	205	2,767
<b>Total current liabilities</b>		<b>10,842,926</b>	<b>9,268,134</b>	<b>12,275,880</b>	<b>3,969,318</b>
<b>Total liabilities</b>		<b>50,210,169</b>	<b>51,081,450</b>	<b>51,638,216</b>	<b>43,279,725</b>
<b>Total equity and liabilities</b>		<b>56,906,313</b>	<b>57,085,650</b>	<b>56,869,164</b>	<b>48,284,864</b>

The notes on pages 18 to 43 are an integral part of these financial statements.

The financial statements on pages 13 to 43 were approved by the board of directors and were signed on its behalf by:

  
George Muscat  
Chairperson

  
Paul Attard  
Director

Date : 27 April 2018



**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31st DECEMBER 2017**

	Note	Share Capital €	Quasi Equity €	Fair Value Reserve €	Profit and Loss Account €	Total €
<b>Group</b>						
<b>Comprehensive income</b>						
Profit for the period		-	-	-	1,004,200	1,004,200
Fair value gain on long term interest free loan receivable	13	-	-	101,526	(101,526)	-
<b>Transactions with owners</b>						
Issue of share capital		2,500,000	-	-	-	2,500,000
Subordinated shareholders' loan - Quasi equity		-	2,500,000	-	-	2,500,000
<b>Balance at 31st December 2016</b>		<b>2,500,000</b>	<b>2,500,000</b>	<b>101,526</b>	<b>902,674</b>	<b>6,004,200</b>
Balance at 1st January 2017		2,500,000	2,500,000	101,526	902,674	6,004,200
<b>Comprehensive income</b>						
Profit for the year		-	-	-	691,944	691,944
Fair value gain on long term interest free loan receivable	13	-	-	106,602	(106,602)	-
<b>Balance at 31st December 2017</b>		<b>2,500,000</b>	<b>2,500,000</b>	<b>208,128</b>	<b>1,488,016</b>	<b>6,696,144</b>
<b>Company</b>						
<b>Comprehensive income</b>						
Profit for the period		-	-	-	5,139	5,139
<b>Transactions with owners</b>						
Issue of share capital		2,500,000	-	-	-	2,500,000
Subordinated shareholders' loan - Quasi equity		-	2,500,000	-	-	2,500,000
<b>Balance at 31st December 2016</b>		<b>2,500,000</b>	<b>2,500,000</b>	<b>-</b>	<b>5,139</b>	<b>5,005,139</b>
Balance at 1st January 2017		2,500,000	2,500,000	-	5,139	5,005,139
<b>Comprehensive income</b>						
Profit for the year		-	-	-	225,809	225,809
<b>Balance at 31st December 2017</b>		<b>2,500,000</b>	<b>2,500,000</b>	<b>-</b>	<b>230,948</b>	<b>5,230,948</b>

The notes on pages 18 to 43 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31st DECEMBER 2017**

	Group		Company	
	2017	2016	2017	2016
	€		€	
<b>Cash flows from operating activities</b>				
Net profit before taxation	1,782,302	2,064,065	265,795	7,906
Adjustments for:				
Depreciation	3,093	3,777	1,750	
Investment income	(349,499)	(53,314)	(2,086,029)	(457,244)
Interest expenses	1,460,001	1,446,182	1,810,898	419,178
Fair value gain on interest free long term receivable	106,602	101,526	-	
<b>Operating profit / (loss) before working capital changes</b>	<b>3,002,499</b>	<b>3,562,236</b>	<b>(7,586)</b>	<b>(30,160)</b>
Trade and other receivables	498,289	(1,434,672)	(1,696,533)	(14,047,318)
Inventory - Development Project	512,251	(34,213,205)	-	-
Trade and other payables	1,820,396	9,247,538	(31,329)	3,655,751
<b>Cash generated from operations</b>	<b>5,833,435</b>	<b>(22,838,103)</b>	<b>(1,735,448)</b>	<b>(10,421,727)</b>
Interest payable	(1,460,001)	(1,446,182)	(1,810,898)	(419,178)
Income tax paid	(1,123,166)	(1,274,958)	(42,548)	-
<i>Net cash used in operating activities</i>	<u>3,250,268</u>	<u>(25,559,243)</u>	<u>(3,588,894)</u>	<u>(10,840,905)</u>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(10,000)	(7,201)	(10,000)	-
Investments (net)	228,200	(10,600,000)	1,735,700	(31,842,032)
Investment income	349,499	53,314	2,086,029	457,244
<i>Net cash from / (used in) investing activities</i>	<u>567,699</u>	<u>(10,553,887)</u>	<u>3,811,729</u>	<u>(31,384,788)</u>
<b>Cash flows from financing activities</b>				
Increase in share capital	-	2,500,000	-	2,500,000
Subordinated shareholders loan	-	2,500,000	-	2,500,000
Shareholders' loans	2,720	-	1,200	-
Related parties	(132,707)	2,502,909	3,551,837	310,800
Bonds and debentures	51,929	39,310,407	51,929	39,310,407
Payment to preference shareholder	(2,498,001)	-	-	-
Other loans	(3,762,474)	(6,998,980)	(5,908,846)	(311,455)
<i>Net cash (used in) / from financing activities</i>	<u>(6,338,533)</u>	<u>39,814,336</u>	<u>(2,303,880)</u>	<u>44,309,752</u>
<b>Movement in cash and cash equivalents</b>	<b>(2,520,566)</b>	<b>3,701,206</b>	<b>(2,081,045)</b>	<b>2,084,059</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,701,206</b>	<b>-</b>	<b>2,084,059</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year (note 17)</b>	<u><b>1,180,640</b></u>	<u><b>3,701,206</b></u>	<u><b>3,014</b></u>	<u><b>2,084,059</b></u>

The notes on pages 18 to 43 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**1 Comparative figures**

The company was incorporated on 1st June 2016. The comparative figures relate to the period from 1st January 2016 to 31st December 2016 (see note 2.5).

**2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**2.1 Basis of preparation**

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

*Critical accounting estimates and judgements*

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

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

*Standards, interpretations and amendments to published standards effective in 2017*

In 2017 the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period on 1st January 2017. The adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in changes to the company's accounting policies impacting the company's financial performance and position.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.1 Basis of preparation - continued**

*Standards, interpretations and amendments to published standards that are not yet adopted*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory to the Company's accounting profits beginning after 1st January 2017, including IFRS 9 'Financial Instruments', amongst other pronouncements. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed below, and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS9 was issued in July 2014. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. IFRS9 requires financial assets to be classified in two measurement categories: those measured at fair value and those measured at amortised costs. The determination is made at initial recognition. The classification depends on the entity's business model for managing financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS39 requirements. The Group is yet to assess the full impact of IFRS9 and considering the implications it has on the Group's financial results and position.

IFRS15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cashflows arising from the entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning or after 1 January 2017 and earlier application is permitted, subject to endorsements by the EU. The Group is assessing the impact IFRS 15 may have on the Group's financial results and position. It has not early applying IFRS15.

**2.2 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors, responsible for making strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the capital projects of the Company. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from the development of immovable property.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.3 Foreign currency translation**

(a) Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in euro, which is the company's functional currency and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities, are reported as part of the fair value gain or loss.

**2.4 Financial assets**

**2.4.1 Classification**

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 16 and 17).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale investments. They are included in current assets unless the asset matures or management intends to dispose of it after twelve months from the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.4 Financial assets - (continued)**

**2.4.2 Recognition and measurement**

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

Interest on available-for-sale investments, calculated using the effective interest method is recognised in profit or loss within 'investment and other related income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These included the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.4 Financial assets - (continued)**

**2.4.3 Impairment**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'low event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

**(b) Assets classified as available-for-sale**

In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investments below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

**(c) Assets classified as loans receivables**

All loans receivable are recognised when cash is advanced to the borrowers. Loans receivable are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The Company assesses at the end of each reporting period whether there is objective evidence that loans receivable are impaired.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.5 Consolidation**

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

The company acquired the shares in its subsidiaries during the period ended 31st December 2016. The subsidiaries were acquired at the net asset value of the subsidiaries existing as at 31st December 2015 and adjusted with the increase in the value of the immovable property arising from a revaluation of the immovable property at market value. Though the company acquired the shares of the subsidiaries during 2016 the effective date of the acquisition in terms of profits was 1st January 2016. Accordingly, the comparative results for the year ended 31st December 2016 in the profit and loss account reflect the results from 1st January 2016 to 31st December 2016.

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

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

**2.6 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.7 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**2.8 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.



**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.9 Revenue and cost recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met as described below.

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the company, are treated as payments received on account and presented within trade and other payable.

Other operating income consisting of the following is recognised on an accruals basis:

Interest

Dividends receivable are accounted for on a cash basis

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

**2.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use is completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalized as part of its cost. Borrowing costs are capitalized which acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. All other borrowing costs are recognized as an expense in the profit and loss account in the period as incurred.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.11 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12 Other financial liabilities**

Other financial liabilities are recognized initially at fair value of proceeds received, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of other borrowings is recognised in profit or loss over the term of the borrowings, unless the interest on such borrowings is capitalised in accordance with the company's accounting policy on borrowing costs.

**2.13 Property, plant and equipment**

All property, plant and equipment are initially recorded at cost and subsequently stated at cost less depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation is provided for on the straight line method in order to write off cost over the expected useful economic lives of the assets as follows:

	<b>Years</b>
Computer & Off. Equip.	4
Motor Vehicles	5
Furniture & Fittings	10

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.14 Inventory - Development project**

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

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

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

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

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

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

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

As stated in note 2.5 the Group accounts for business combinations using the acquisition method. Accordingly, at group level, the identifiable net assets acquired, including inventory held by the newly-acquired subsidiary, are measured at fair value as at date of acquisition of subsidiary. Therefore, at consolidated group level, inventory cost represents the fair value of inventory held by the acquired subsidiary as at date of acquisition of subsidiary, together with additional development and borrowing costs incurred following date of acquisition.

**2.15 Trade and other receivables**

Trade receivables are amounts due from customers for units sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the nominal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and other direct expenses.

When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against selling and other direct expenses in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**2 Summary of significant accounting policies**

**2.16 Cash and cash equivalents**

Cash and cash equivalents as shown in the cashflow statement comprise cash in hand and deposits repayable on demand less bank overdrafts. Bank overdrafts are included in the statement of financial position as borrowings under current liabilities.

**2.17 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

**2.18 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**3 Financial risk management**

**3.1 Financial risk factors**

The Group's activities potentially expose it to a variety of risks: market risk, economic risk, counter-party risk, credit risk and liquidity risk. Where possible, the board provides principles for overall risk management, as well as policies to mitigate these risks in the most prudent way.

(i) The Group is subject to market and economic conditions generally

The Group is subject to the general market and economic risks that may have a significant impact on the projects of the subsidiaries, the timely completion of the said projects and budgetary constraints. These include factors such as the state of the local property market, inflation, and fluctuations in interest rates, exchange rates, property prices and other economic and social factors affecting demand for real estate generally. If general economic conditions and property market conditions experience a downturn which is not contemplated in the Group's planning during the construction and completion of the projects, this shall have an adverse impact on the financial condition of the Group and the ability of the Company to meet its obligations.

(ii) The property market is a very competitive market that can influence the sales of units in the Projects

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Group operates and targets to sell the remaining units in stock and the properties being developed, may cause sales of units forming part of the projects to sell at prices which are lower than is being anticipated by the Group or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances there is a delay in the tempo of sales envisaged by the Group, they could have a material adverse impact on the Group and the Issuer's ability to meet its obligations.

(iii) The Group depends on third parties in connection with its business, giving rise to counterparty risks

The Group relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of the projects of its subsidiaries. The Group has engaged the services of third party contractors for the development of the projects including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Group's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Group's businesses, and their respective financial condition, results of operations and prospects, that could have a material adverse impact on the Issuer's ability to meet its obligations.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**3 Financial risk management - continued**

**3.1 Financial risk factors - continued**

(iv) Material risks relating to real estate development may affect the economic performance and value of the Projects

There are several factors that commonly affect the real estate development industry, many of which are beyond the Group's control, and which could adversely affect the economic performance and value of the Group's projects. Such factors include:

- changes in European and global economic conditions;
- changes in the general economic conditions in Malta;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an oversupply of similar properties;
- a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- changes in the prices, supply of raw materials
- acts of nature that may damage any of the properties or delay development thereof

(v) The Group may be exposed to environmental liabilities attaching to real estate property

The Group may become liable for the costs of removal, investigation, or remediation of any hazardous or toxic substances that may be located on, or in or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Group may also be required to remove or remedy any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have an adverse effect on the Group's operations and financial position.

(vi) Property valuations may not reflect actual market values

The valuations of the properties on which the share acquisitions were based were prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

**3 Financial risk management - continued**

**3.1 Financial risk factors - continued**

(vii) General exposure to funding risks

The funding of each project is partly dependent on the proceeds from the gradual sale of the units in each development. If the projected sale of the units is not attained or is delayed, the Group may well not have sufficient funds to complete all the projects within the projected time-frames or to pay the contractors for works performed.

(viii) The Group may be exposed to cost overruns and delays in completion of the projects

Each of the projects being undertaken by the Group is prone to certain risks inherent in real estate development, most notably the risk of completing each project within its scheduled completion date and within the budgeted cost for that development. If either or both risks were to materialise they could have a significant impact on the financial condition of the respective subsidiary and/or the Group, and the ability of the latter to meet its obligations. The risks of delays and cost overruns, could cause actual sales revenues and costs to differ from those projected and which are affected, amongst others, by factors attributable to counter-parties, general market conditions, and competition which are beyond the Group's control. Delays in the time scheduled for completion of one or more of the projects may also cause significant delays in the tempo of the sales forecasted by the Group for units within the Project or Projects affected by such delay, which can have a significant adverse impact on the Group's financial condition and cash flows. Similarly, if any one or more of the projects were to incur significant cost overruns that were not anticipated, the Group may have difficulties in sourcing the funding required for meeting such cost overruns and therefore may risk not completing one or more of the projects, which shall have a material adverse impact on the cash flows generated from sales of units in that Project and a material adverse impact on the financial condition of the specific subsidiary and ultimately the Issuer.

(ix) Foreign Exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. As at reporting date, the Company has no currency risk since all assets and liabilities are denominated in Euro.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

**3 Financial risk management - continued**

**3.2 Financial risk factors - continued**

(x) Fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its interest bearing financial instruments.

As at the reporting date, the Company holds available for sale investments which are limited to Corporate bonds and bank deposits. Borrowings are subject to fixed interest rates and principally consist of the public bonds. Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift at the reporting date to be quite contained.

(xi) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's financial obligations and to safeguard the Company's ability to continue as a going concern, in particular to complete of the Group's projects in a timely manner.

(xii) Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern; to maximise the return to stakeholders through the optimisation of the debt and equity balance and to comply with the requirements of the Prospectus issued in relation to the 4.25% Secured Bonds.

The capital structure consists of items presented within equity in the statement of financial position. The company monitors the level of debt against total capital on an ongoing basis.



**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**3 Financial risk management - continued**

**3.3 Financial risk management - continued**

(xiii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss.

The Group is not significantly exposed to credit risk arising in the course of its principal activity relating to the sale of residential units in view of the way promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery. The Group monitors the performance of the purchases throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery of the residential unit.

Credit risk mainly arises from financial assets held in the Reserve Account, cash and cash equivalents and available for sale investments. Credit risk mainly arises from financial assets held in the Reserve Account, cash and cash equivalent and available for sale investments. Credit risk relating to financial assets is addressed through careful selection of the issuers of securities bought by the Company. Such transactions have been carried out solely by the Company's stockbroker (and Sponsor/Manager of the 4.25% 2023 Secured Bonds). During the year under review, the available for sale investments were limited to purchased in reliable Corporate Bonds (€4.56 Million) whilst the cash at Bank was held with three local quality financial institutions (€7.14 Million). The Reserve Account is administered by the Security Trustee of the 4.25% 2023 Secured Bonds issue and funds (€513K) are held in a bank account of high standing.

Furthermore, the Group manages its credit risk exposure in relation to receivables from fellow companies in an active manner, at arm's length and with accrued interest charges thereon. The Board retains direct responsibility for affecting and monitoring the investments made by the fellow companies. The Board considers these receivables to be fully performing and recoverable.

**4 Turnover**

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Sale of property held for Development and resale	14,981,900	14,804,450	-	-
	<u>14,981,900</u>	<u>14,804,450</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

**5 Operating profit / (loss)**

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Directors' fees	125,120	80,600	-	-
Employment costs - Note 6	394,528	267,295	-	-
Depreciation - Note 11	3,093	3,777	1,750	-
Audit fees	31,550	22,800	5,850	3,600

**6 Employees**

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Employment costs comprise:				
Wages and salaries - administration	109,863	110,157	-	-
Wages and salaries - allocated to cost of sales	261,619	140,572	-	-
Social security costs - administration	6,816	7,734	-	-
Social security costs - allocated to cost of sales	16,230	8,832	-	-
	394,528	267,295	-	-

The average weekly number of persons employed by the group during the year was:

15	10	-	-
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Directors' Remuneration	12,000	7,000	-	-
Directors' salary - allocated to cost of sales	113,120	73,600	-	-
	125,120	80,600	-	-

**7 Finance costs**

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bond interest and amortisation costs	97,912	591,182	1,810,898	419,178
Capitalised interest: Inventories - Property development				
At date of acquisition of subsidiaries shares	-	2,168,676	-	-
At 1st January	1,825,122	-	-	-
Interest capitalised during period	2,207,493	511,446	-	-
At 31st December	(2,670,526)	(1,825,122)	-	-
Charge of capitalised interest for the period	1,362,089	855,000	-	-
	1,460,001	1,446,182	1,810,898	419,178

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

8 Investment income

	Group		Company	
	2017	2016	2017	2016
	€		€	
Interest from Maltese banks	581	305	403	-
Interest receivable from related parties	63,613	35,713	1,820,820	457,244
Securities interest - from local sources	285,305	17,296	264,806	-
	<u>349,499</u>	<u>53,314</u>	<u>2,086,029</u>	<u>457,244</u>

9 Tax expense

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current income tax				
Income tax on the taxable profits for the year at 35%	205	5,897	205	2,767
Income tax on taxable income at 15%	40,452	19	39,781	-
Income tax subject to 8% final tax on sales of immovable property	1,156,303	1,155,475	-	-
Tax charge	<u>1,196,960</u>	<u>1,161,391</u>	<u>39,986</u>	<u>2,767</u>

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Net profit for the year	<u>1,782,302</u>	<u>2,064,065</u>	<u>265,795</u>	<u>7,906</u>
Income tax thereon at 35%	623,806	722,423	93,028	2,767
Deferred tax not accounted for	42,036		-	
Difference resulting from different tax rates on bank interest received	(53,940)	(88)	(53,042)	-
Expenses disallowed for tax purposes	34,123		-	
Difference arising on income subject to 8% withholding tax on sales	(323,658)	439,056	-	
Difference arising on adjustment to revaluation of inventories	880,259		-	
Exempt income	(5,666)		-	
	<u>1,196,960</u>	<u>1,161,391</u>	<u>39,986</u>	<u>2,767</u>

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

10 Fair value adjustment

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Fair value gain arising on interest free loan given to Gap Holdings Limited (note 14)				
Fair value as at 31st December 2017	2,238,179	2,131,577	-	-
Fair value as at 31st December 2016	(2,131,577)	(2,030,051)	-	-
	<u>106,602</u>	<u>101,526</u>	<u>-</u>	<u>-</u>

11 Property, plant and equipment

	Computer & Off. Equip.	Motor Vehicles	Furniture & Fittings	Total
	€	€	€	€
Cost				
At 1st January 2017	10,592	6,500	437	17,529
Additions during the year	-	10,000	-	10,000
At 31st December 2017	<u>10,592</u>	<u>16,500</u>	<u>437</u>	<u>27,529</u>
Depreciation				
At 1st January 2017	10,592	3,250	263	14,105
Charge for the year	-	3,050	43	3,093
At 31st December 2017	<u>10,592</u>	<u>6,300</u>	<u>306</u>	<u>17,198</u>
At 31st December 2017	<u>-</u>	<u>10,200</u>	<u>131</u>	<u>10,331</u>
At 31st December 2016	<u>-</u>	<u>3,250</u>	<u>174</u>	<u>3,424</u>

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

12 Investment in subsidiary undertakings

	Group 2017 & 2016 €	Company 2017 & 2016 €
Shares in subsidiary undertakings		
Geom Developments Limited (C50805) - 2,000 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	10,580,444
Geom Holdings Limited (C64409) - 1,996 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	2,651,130
Gap Gharghur Limited (C72015) - 3,458 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	3,522,084
Gap Mellieha (I) Limited (C72013) - 1,200 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	4,487,174
Gap Group Contracting Limited (C75879) - 1,200 ordinary shares of €1 each representing 100 % holding (Gap Holdings Head Office, Censu Scerri Street, Tigne.)	-	1,200
<b>Total</b>	-	<b>21,242,032</b>

Geom Developments Limited (C50805) is the parent company of Gap Group Finance Limited (C54352) which is the parent company of Manikata Holdings Limited (C53818) and Gap Properties Limited (C47928). The group owns all the shares with the exception of a few shares which are owned by third parties. The amount attributable to the minority interest is reflected in note 21.

The principal activity of all the subsidiaries, except for Gap Group Contracting Limited, is the acquisition of property for development and resale. The activity of Gap Group Contracting is to provide services in to the entities within the group related to their trading activity.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

13 Investments - available for sale

	Redemption date	Interest rate	Fair value €	Group		Company	
				2016		2016	
				€	€	€	€
Corporate Bonds	2026	3.75% - 4%	2,812,500	2,812,500		2,812,500	
Corporate Bonds	2017	4.5%	2,000,000	2,000,000		2,000,000	
Holdings in bank deposit account at 1.5% - 2%				5,787,500		5,787,500	
				<u>10,600,000</u>		<u>10,600,000</u>	

  

	Redemption date	Interest rate	Fair value €	Group		Company	
				2017		2017	
				€	€	€	€
Corporate Bonds	2023	4.25%	1,544,700	1,507,500		-	
Corporate Bonds	2026	3.75%	2,050,000	2,000,000		2,000,000	
Corporate Bonds	2027	4%	1,028,000	1,000,000		1,000,000	
Holdings in bank deposit account at 1.5% - 2%				5,864,300		5,864,300	
				<u>10,371,800</u>		<u>8,864,300</u>	

The amount invested above includes an amount of €4,300,000 which was invested by the trustee from funds emanating from the sales proceeds of properties and held for the repayment of the Bond.

14 Loans and other receivables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Gap Holdings Limited - Maturity date 2018	-	2,252,978	-	-
Gap Holdings Limited - Maturity date 2023	2,238,179	2,131,577	-	-
Gap Holdings Limited - Maturity date 2023	5,707,475	-	5,707,475	-
Investment in related party - Qawra Investments Limited - Maturity date 2021	2,302,973	2,302,973	-	-
Funds held by trustee for the redemption of the 2023 Bond	512,826	311,452	512,826	311,455
	<u>10,761,453</u>	<u>6,998,980</u>	<u>6,220,301</u>	<u>311,455</u>

The amount due by Gap Holdings Limited of €2,238,179 (2016 - €2,131,577) is non-interest bearing and is expected to be repaid by December 2023. The nominal amount of the loan is €3,000,000. The amount due to Gap Holdings Limited is being stated at the fair value.

The amount due by Gap Holdings Limited of €5,707,475 is expected to be repaid by December 2023 and is unsecured. The amount receivable consists of an amount of €2,529,977 which bears interest at 4.5% per annum and an amount of €3,177,498 which with effect from 1st January 2018 bears interest at 4.5% per annum.

The funds advanced to Qawra Investments Limited bear interest at the rate of 4.5% per annum and is repayable by 2021. This investment related to the acquisition of property for development in accordance with the strategy outlined in the "Future business developments" in the directors report for the period ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

**15 Inventory - Development project**

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Property cost of land and development costs	24,114,139	22,956,768	-	-
Capitalised borrowing costs	2,670,526	1,825,122	-	-
Fair value adjustment on acquisition of subsidiaries	11,636,381	11,636,381	-	-
Fair value adjustment reversed on sale of property	(4,720,092)	(2,205,066)	-	-
	<u>33,700,954</u>	<u>34,213,205</u>	<u>-</u>	<u>-</u>

**16 Trade and other receivables**

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Prepayments	276,636	312,508	2,128,237	-
Amounts due from group companies	-	-	17,875,767	13,615,614
Amount due by related parties	519,885	636,973	527,263	-
Accrued interest receivable	22,774	485,191	-	431,704
	<u>819,295</u>	<u>1,434,672</u>	<u>20,531,267</u>	<u>14,047,318</u>

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

**17 Cash and cash equivalents**

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash in hand	97,065	89,980	-	-
Cash at bank	1,105,642	3,631,822	3,014	2,084,059
	1,202,707	3,721,802	3,014	2,084,059
Bank overdraft	(22,067)	(20,596)	-	-
	<u>1,180,640</u>	<u>3,701,206</u>	<u>3,014</u>	<u>2,084,059</u>

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

18 Share capital

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
<b>Authorised</b>				
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
<b>Issued and fully paid up</b>				
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

19 Earnings per share

Earnings per share is calculated by dividing the result attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit for the year	585,342	902,674	225,809	5,139
Weighted average share in issue	2,500,000	2,500,000	2,500,000	2,500,000
Earnings per share	<u>0.23</u>	<u>0.36</u>	<u>0.09</u>	<u>0.00</u>

The company has not issued any dilutive instruments in the past, and therefore the basic and diluted earnings per share are equal.

20 Borrowings

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
<b>Short term - falling due within one year</b>				
Bank overdrafts	22,067	20,596	-	-
Total short term borrowings	<u>22,067</u>	<u>20,596</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

20 Borrowings (Continued)

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
<b>Long term - falling due after one year</b>				
<b>Bond</b>				
Proceeds from bond issue	40,000,000	40,000,000	40,000,000	40,000,000
Amortised cost				
Issue of bond costs	715,133	715,133	715,133	715,133
Issue of bond costs amortised	(77,469)	(25,540)	(77,469)	(25,540)
	<u>637,664</u>	<u>689,593</u>	<u>637,664</u>	<u>689,593</u>
Amortised cost	<u>39,362,336</u>	<u>39,310,407</u>	<u>39,362,336</u>	<u>39,310,407</u>

In October 2016, the company raised €40,000,000 by issuing secured bonds to the public at the fixed rate of interest of 4.25% at face value and redeemable at par on the 3rd of October 2023 and are secured for the full nominal value of the Secured Bonds and interests thereon as follows:

- i. First ranking general hypothec over all the present and future property of the company and each of GAP Mellieħa (I) Limited, GAP Properties Limited, GEOM Developments Ltd.
- ii. First ranking special hypothec over the land on which each of the Mellieħa Development and Blocks A, B and C forming part of the Qawra Development is to be developed together with all and any constructions and other erections to be developed thereon.
- iii. First ranking special hypothec over the remaining residential units and garage spaces forming part of the Żebbuġ Development.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017

21 Creditors

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
<b>Trade and other payables</b>				
Trade creditors	6,837,890	4,617,907	-	-
Advance deposits received on promise of sale agreements	3,253,402	2,770,665	-	-
Amounts due to related parties	-	249,795	6,678,844	3,191,047
Other creditors	-	41,926	-	41,926
Accruals	716,855	1,567,245	433,375	422,778
Social security and Fss Tax	9,992	-	-	-
	<u>10,818,139</u>	<u>9,247,538</u>	<u>7,112,219</u>	<u>3,655,751</u>
<b>Other financial liabilities</b>				
Amounts due to shareholders	2,720	-	1,200	-
Amounts due to subsidiaries	-	-	5,162,256	310,800
	<u>2,720</u>	<u>-</u>	<u>5,163,456</u>	<u>310,800</u>
<b>Non-current liabilities</b>				
Cumulative Preference shares held by a third party in Geom Holdings Limited	2,498,001	2,498,001	-	-
Payment to Preference shareholder on account of redemption of preference shares	(2,498,001)	-	-	-
Minority interests	4,907	4,908	-	-
	<u>4,907</u>	<u>2,502,909</u>	<u>-</u>	<u>-</u>
<b>Total trade and other creditors</b>	<u>10,825,766</u>	<u>11,750,447</u>	<u>12,275,675</u>	<u>3,966,551</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**22 Transactions with related parties**

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

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
<b>Loans and other receivables</b>				
Loans due from related companies	<u>10,248,627</u>	<u>6,687,528</u>	<u>5,707,475</u>	<u>-</u>
<b>Trade and other receivables</b>				
Amounts due from group companies	<u>-</u>	<u>-</u>	<u>17,875,767</u>	<u>13,615,614</u>
Amounts due from related companies	<u>519,885</u>	<u>636,973</u>	<u>527,263</u>	<u>-</u>
<b>Trade and other payables</b>				
Amounts due to related parties	<u>-</u>	<u>249,795</u>	<u>6,678,844</u>	<u>3,191,047</u>
Amounts due to subsidiaries	<u>-</u>	<u>-</u>	<u>5,162,256</u>	<u>310,800</u>
<b>Investment Income</b>				
Interest receivable from group companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,244</u>

**23 Contingent liabilities**

One of the companies within the group, Geom Developments Limited is involved into 2 pending court cases which might lead to litigation costs amounting to circa Eur75,000. Consequently this was disclosed as a contingent liability.

**24 Capital commitments**

The company has entered into capital commitments with various contractors for the development of the Mellieha, Ghargur and Qawra projects. Outstanding contractual commitments as at period end amount to €18.9 million. This amount does not include payments made to suppliers till the end of 2017.

As at December 2017, the company has entered into promise of sale agreements with advance deposits amounting to €3,253,402 (2016 - €2,770,665). These agreements are expected to generate sales amounting to €24,131,500 (2016 - €15,998,500).

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2017**

**25 Statutory information**

Gap Group p.l.c. is a limited liability company and is incorporated in Malta, with its registered address at Gap Holdings Head Office, Censu Scerri Street, Tigne, Sliema Slm 3060.

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