

PENDERGARDENS DEVELOPMENTS PLC

Condensed Interim Financial Statements

for the period 1 January 2016 to 30 June 2016

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Interim Directors' report

This interim report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by Pendergardens Developments p.l.c. (the 'Company') in its published annual report. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2016, as approved by the Board of Directors on 25 August 2016 and are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Principal activities

The Company's principal activities are to acquire, develop and dispose of the immovable property or rights over such immovable property consisting of land and buildings known as 'Block 16', 'Block 17' and 'Towers I & II' at Pendergardens in St. Julians, Malta.

Review of the business

Works on Block 16 were completed in 2015. 13 contracts of sale were concluded during the six months ending 30 June 2016 and as of 30 June 2016, a total of 39 contracts of sale have been signed. Only 6 units remain subject to Preliminary Agreements. These contracts of sale and preliminary agreements result in a total sales value of €15.7 million and only one penthouse unit still remains available on the market. The retail units within the commercial area below Block 16 are also constructed and the Company is currently in negotiation with various interested parties.

Works on Towers I & II, Block 17 and the underlying car park are progressing well and the completion date is expected to be 2018. The 47 residential units of Block 17 were launched on the market in May 2016 with demand exceeding projections. As of 30 June 2016, 39 of 47 units are subject to preliminary agreements representing total sales revenue of €14.9 million. In April 2016 the Company also entered into a preliminary agreement for the sale of the ground floor commercial area underlying Block 17, including 3 adjacent retail outlets, which are for the purpose of the operation of a supermarket by a renowned supermarket chain.

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

The company's principal activities are to acquire, develop and dispose of the immovable property or rights over such immovable property consisting of land and buildings known as 'Block 16', 'Block 17' and 'Towers I & II' at Pendergardens in St. Julians, Malta. Through the issue of Series I Bond and Series II Bond for €15 million and €27 million respectively, the company has secured funding to be able to develop and finish the said properties. However, the company is subject to the general market and economic risks that may have a significant impact on the Project, its timely completion and budgetary constraints.

In view of the fact that the Project is monitored closely and that costs are in line with budgets, the directors believe that it remains appropriate to prepare the interim financial statements on a going concern basis. The financial statements however do not include any adjustments in the event that the forecast and assumptions do not materialise as planned.

Interim Directors' report - continued

Related Party Transactions

Pendergardens Developments p.l.c. enters into related party transactions during the course of its business with other Group companies. Related party transactions are reviewed and approved by the Audit committee on a regular basis. All related party transactions for the six month period ended 30 June 2016 have been fully disclosed in Note 10 to the Condensed Interim Financial Information.

Results and dividends

The condensed interim statement of comprehensive income is set out in page 6. The directors do not recommend the payment of an interim dividend for the period under review.

Directors

The directors of the company who held office during the period were:

Edmund Gatt Baldacchino (Chairman)
Edward Licari (Deputy Chairman)
John Attard
Joseph F. X. Zahra
Philip Farrugia

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

Approved by the Board of Directors on 25 August 2016 and signed on its behalf by:



Mr. Edmund Gatt Baldacchino
Chairman



Mr. Edward Licari
Deputy Chairman

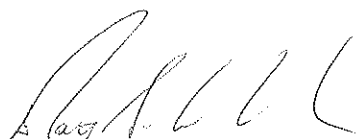
Registered office:
GB Buildings
Triq il-Watar
Ta' Xbiex XBX 1301
Malta

Directors' Statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

- The condensed interim financial statements give a true and fair view of the financial position of the company as at 30 June 2016, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34, 'Interim Financial Reporting'); and
- The Interim Directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

On behalf of the board



Mr. Edmund Gatt Baldacchino
Chairman



Mr. Edward Licari
Deputy Chairman

25 August 2016



Independent auditor's report

To the Board of Directors of Pendergardens Developments p.l.c.

Report on the Review of Condensed Interim Financial Information for the period ended 30 June 2016

Introduction

We have reviewed the accompanying condensed statement of financial position of Pendergardens Developments p.l.c. as at 30 June 2016, the related condensed income statement and statements of comprehensive income, changes in equity and cash flows for the six month period then ended and the explanatory notes ('the interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Other matters

This report, including the conclusion, has been prepared for the Company and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta


David Valenzia
Partner
25 August 2016

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- a) The maintenance and integrity of the Pendergardens Developments p.l.c. website is the responsibility of the directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed interim financial information since this was initially presented on the website.
- b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed interim statement of financial position

	As at 30 June 2016 €	As at 31 December 2015 €
ASSETS		
Current assets		
Inventory – development project	30,733,210	29,816,343
Available-for-sale investments	17,082,986	16,259,400
Other current assets	13,839,197	11,959,151
Total current assets	61,655,393	58,034,894
Total assets	61,655,393	58,034,894
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	9,079,000	9,079,000
Retained earnings	1,776,053	322,296
Fair value reserve	986,569	2,277,378
Total equity	11,841,622	11,678,674
Non-current liabilities		
Borrowings	41,424,884	41,388,553
Total non-current liabilities	41,424,884	41,388,553
Current liabilities		
Borrowings	-	-
Trade and other payables	8,388,887	4,967,667
Total current liabilities	8,388,887	4,967,667
Total liabilities	49,813,771	46,356,220
Total equity and liabilities	61,655,393	58,034,894

The notes on pages 9 to 12 are an integral part of these financial statements.

The condensed interim financial information on pages 5 to 12 were authorised for issue by the board of directors on 25 August 2016 and were signed on its behalf by:



Mr. Edmund Gatt Baldacchino
Chairman



Mr. Edward Licari
Deputy Chairman

Condensed interim statement of comprehensive income

	Period from 1 January to 30 June 2016 €	Period from 1 January to 30 June 2015 €
Revenue	4,859,564	-
Direct operating costs	(4,315,983)	-
Gross profit	543,581	-
Selling expenses	(137,499)	-
Administrative expenses	(420,538)	(389,461)
Other income	8,656	-
Operating loss	(5,800)	(389,461)
Finance income	10	108
Finance costs	(334,560)	(8,096)
Net finance costs expensed	(334,550)	(7,988)
(Loss)/gain from disposal of available-for-sale investments	(12,226)	3,394,219
	(12,226)	3,394,219
(Loss)/profit before tax	(352,576)	2,996,770
Tax expense	(148,752)	-
(Loss)/profit for the period	(501,328)	2,996,770
Earnings per share	(0.06)	0.33

The notes on pages 9 to 12 are an integral part of these financial statements.

Condensed interim statement of changes in equity

	Share capital €	Fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2015	9,079,000	2,250,735	(871,229)	10,458,506
Comprehensive income				
Profit for the period	-	-	2,996,770	2,996,770
Other comprehensive income				
Net change in fair value of Investments	-	1,143,484	-	1,143,484
Gains from disposal of available-for-sale investments	-	(3,394,219)	-	(3,394,219)
Total comprehensive income	-	(2,250,735)	2,996,770	746,035
Balance at 30 June 2015	9,079,000	-	2,125,541	11,204,541
Balance at 1 January 2016	9,079,000	322,296	2,277,381	11,678,677
Comprehensive income				
Loss for the period	-	-	(501,328)	(501,328)
Other comprehensive income				
Net change in fair value of investments	-	676,499	-	676,499
Loss from disposal of available-for-sale investments	-	(12,226)	-	(12,226)
Total comprehensive income	-	664,273	(501,328)	162,945
Balance at 30 June 2016	9,079,000	986,569	1,776,053	11,841,622

The notes on pages 9 to 12 are an integral part of these financial statements.

Condensed interim statement of cash flows

	Period ended 30 June 2016 €	Period ended 30 June 2015 €
Net cash generated from /(used in) operating activities	2,150,862	(2,400,535)
Net cash generated from investing activities	-	23,061,849
Net cash used in financing activities	(259,312)	(2,015,000)
Net movement in cash and cash equivalents	1,891,550	18,646,314
Cash and cash equivalents at beginning of the period	6,091,416	2,145,458
Cash and cash equivalents at end of the period	7,982,966	20,791,772

The notes on pages 9 to 12 are an integral part of these financial statements.

Notes to the condensed interim financial statements

1. General information

Pendergardens Developments p.l.c. is a public limited liability company domiciled and incorporated in Malta with its principal activity being the acquisition, development and disposing of immovable property consisting of land and buildings known as 'Block 16', 'Block 17' and 'Towers I & II' at Pendergardens in St. Julian's, Malta.

The financial statements for the year ended 31 December 2015 are available upon request from the company's registered office at GB Buildings, 2nd Floor, 28, Watar Street, Ta' Xbiex, XBX1310, Malta.

This condensed interim financial information was approved for issue by the Board of Directors on 25 August 2016.

These condensed interim financial statements have been reviewed, not audited in accordance with the requirements of International Standards on Auditing but have been reviewed in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Assessment of going concern assumption

The directors have a reasonable expectation, at the time of approving the condensed interim 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 condensed interim financial statements.

3. Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2016

During 2016, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2016.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the company's accounting policies.

Notes to the condensed interim financial information - continued

3. Summary of significant accounting policies - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed interim financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2016. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

4. Financial risk management

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2015.

5. Critical accounting estimates and judgements

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 interim 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.

6. Segment information

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.

7. Available-for-sale financial assets

As at 31 December 2015 the Company held investments in government stocks and corporate bonds that are quoted on the local stock exchange.

During the period ended 30 June 2016, the Company disposed of some of these investments and registered a realised loss of €12,226 (2015: €3,394,219 gain).

Notes to the condensed interim financial information - continued

8. Capital commitments

As at 30 June 2016, the Company had entered into capital commitments amounting to €31,153,939 (2014: €38,487,996).

9. 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.

	30 June 2016	30 June 2015
	€	€
Earnings/(loss) per share	(0.06)	0.33

10. Related party transactions

The company is owned by Pender Ville Limited and Pender Contracting Limited who are in turn ultimately owned and jointly controlled by United Group Limited, Silverline Investments Limited, B.S.&C. Investments Limited, Hal Mann Vellsix Group Limited, Kreativ Developments Limited and MICJON Company Limited. These entities and all the subsidiaries of the Pender Group are considered by the directors to be related parties.

In the ordinary course of its operations, the company purchases goods and services from companies forming part of the Pender Group. There were no loans advanced to the directors during the current period.

Except for transactions disclosed or referred to previously, the following significant operating transactions, which were carried out principally with related parties, have a material effect on the operating results and financial position of the company:

	30 June 2016	30 June 2015
	€	€
Purchases of goods and services		
- Purchase of construction services from ultimate parent	262,671	-
- Purchase of construction services from fellow subsidiary	4,536,316	3,167,229

Bonds of the Company held by directors at 30 June 2016 amounted to €424,500.

Current assets include advance payments made to Pender Contracting Limited amounting to €2,174,676 and a further €2,300,842 due from Pender Ville Limited. Current liabilities include €1,042,815 due to Pender Contracting Limited. Amounts are interest free and repayable on demand.

Notes to the condensed interim financial information - continued

11. Interest bearing borrowings

On 12 May 2014 the company issued Series I €15 million 5.5% secured bonds of a nominal value of €100 per Bond issued at par and Series II €27 million 6.0% secured bonds of a nominal value of €100 per Bond at par. The Series I issue is redeemable on the 31 May 2020 and Series II issue is redeemable on the 31 July 2022. The purpose of the issue was to part finance the redemption of the €12 million 7.0% secured Bond of a nominal value of €1,000 per bond, with the remaining funds utilised to continue the development of 'Block 16' and to acquire and develop the property consisting of land and buildings known as 'Block 17' and 'Towers I & II' at Pendergardens in St. Julians, Malta.

Interest on Series I and Series II Bonds are paid in arrears, on 31 May and 31 July of each year, respectively.

In accordance with the Company's Prospectus dated 5 May 2014, the company is required through the Security Trustee, to build a Reserve Account equivalent to 100% of each Bond by Redemption Date. At the period end, the Trustee held €100,000 worth of investments in custody in part fulfilment of the Company's requirement stipulated in the prospectus.

12. Contingent liabilities

No events occurred since 31 December 2015 that require disclosure of any contingent liabilities as at 30 June 2016.

13. Subsequent events

There were no material events which occurred subsequent to the balance sheet date.