

PENDERGARDENS DEVELOPMENTS PLC

**Condensed Interim Financial Statements
for the period 1 January 2018 to 30 June 2018**

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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 for the year ended 31 December 2017. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2018, as approved by the Board of Directors on 27 August 2018 and are prepared in accordance with IAS 34 'Interim Financial Reporting'. This interim report has been reviewed by the company's independent auditors.

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. As of 30 June 2018, the remaining penthouse unit is subject to preliminary agreement, representing sales revenue of €1.1 million.

Works on Block 17 are expected to be completed by end of 2018 whilst that of Towers I & II is expected to be completed in 2019. As to the level of finishes, Block 17 will be similar to Block 16, whereas Towers I & II will have a level of finish superior to the other blocks.

As of 30 June 2018, 44 of 47 units in Block 17 are subject to preliminary agreements, representing total sales revenue of €17.4 million. On the other hand, 13 of 30 units in Towers I & II are subject to preliminary agreements as of 30 June 2018, representing total sales revenue of €14.2 million.

In February 2018, the Company opened the public car park. In May 2018, the Company subsequently acquired an additional 3,548 square meters in the public car park from Pender Ville Limited, its parent company, increasing the available car spaces to just over 320.

Other than the supermarket and the adjacent retail units sold in 2017, both the office and retail areas of Block 16, Towers I & II and Block 17 are available on the market for sale or lease. As of 30 June 2018, five lease agreements have been entered into by the company. Three agreements of which are for retail units, two within Block 16 and one within Towers I & II. The other two agreements are in respect of 4 entire floors and a half floor within Towers I & II. The company is currently in negotiations with other interested parties with respect to the other available office and retail areas.

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.

Interim Directors' report - continued

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

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.

A detailed review of the risk management policies employed by the company is included in Note 2 of the financial statements for the year ended 31 December 2017.

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 2018 have been fully disclosed in Note 9 to the condensed interim financial statements.

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 27 August 2018 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 2018, 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

27 August 2018



Mr. Edward Licari
Deputy Chairman



Report on Review of Interim Financial Statements

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

Introduction

We have reviewed the accompanying interim statement of financial position of Pendergardens Developments p.l.c. on page 5 as at 30 June 2018 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Our responsibility is to express a conclusion on these interim financial statements 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 statements consists of making inquiries, 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

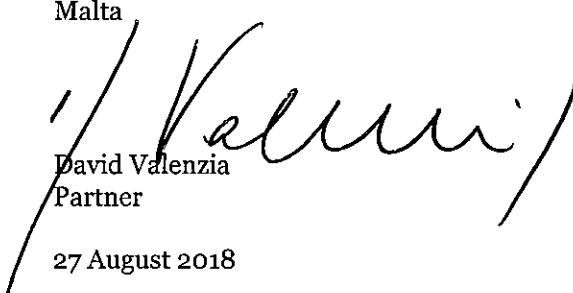
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the company as at 30 June 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matters

This report, including the conclusion, has been prepared for and only 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

27 August 2018

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.

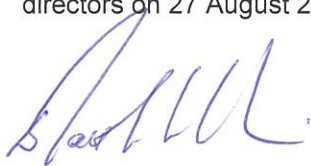
b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed interim statement of financial position

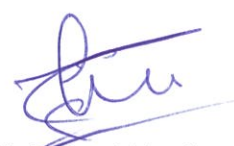
	As at 30 June 2018 €	As at 31 December 2017 €
ASSETS		
Non-current assets		
Property, plant and equipment	10,300,772	-
Investment property	4,545,000	4,545,000
Reserve account	403	403
Total non-current assets	14,846,175	4,545,403
Current assets		
Inventory - development project	34,081,089	39,391,165
Other current assets	21,465,312	24,652,546
Total current assets	55,546,401	64,043,711
Total assets	70,392,576	68,589,114
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	9,079,000	9,079,000
Revaluation reserve	2,873,933	2,873,933
Retained earnings	1,374,506	2,465,452
Total equity	13,327,439	14,418,385
Non-current liabilities		
Deferred tax liabilities	227,250	227,250
Borrowings	41,211,679	41,249,595
Total non-current liabilities	41,438,929	41,476,845
Current liabilities		
Trade and other payables	15,626,208	12,693,884
Total current liabilities	15,626,208	12,693,884
Total liabilities	57,065,137	54,170,729
Total equity and liabilities	70,392,576	68,589,114

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

The condensed interim financial information on pages 5 to 12 were authorised for issue by the board of directors on 27 August 2018 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 2018	Period from 1 January to 30 June 2017
	€	€
Revenue	66,797	-
Direct operating costs	-	-
Gross profit	66,797	-
Administrative expenses	(686,069)	(388,074)
Other income	9,992	21,887
Operating loss	(609,280)	(366,187)
Finance income	3,095	10,098
Finance costs	(470,261)	(330,581)
Net finance costs expensed	(467,166)	(320,483)
Gain from disposal of available-for-sale investments	-	33,334
	-	33,334
Loss for the period	(1,076,446)	(653,336)
Earnings per share	(0.12)	(0.07)

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

Condensed interim statement of changes in equity

	Share capital €	Fair value reserve €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2017	9,079,000	57,206	-	2,351,654	11,487,860
Comprehensive income					
Loss for the period	-	-	-	(653,336)	(653,336)
Other comprehensive income					
Net change in fair value of Investments	-	(90,540)	-	-	(90,540)
Loss from disposal of available-for-sale Investments	-	33,334	-	-	33,334
Total comprehensive income	-	(57,206)	-	(653,336)	(710,542)
Balance at 30 June 2017	9,079,000	-	-	1,698,318	10,777,318
Balance at 1 January 2018 – as originally reported	9,079,000	-	2,873,933	2,465,452	14,418,385
Impact of changes in accounting policies - Adjustments on adoption of IFRS 9	-	-	-	(14,500)	(14,500)
Balance at 1 January 2018 – as restated	9,079,000	-	2,873,933	2,450,952	14,403,885
Comprehensive income					
Loss for the period	-	-	-	(1,076,446)	(1,076,446)
Total comprehensive income	-	-	-	(1,076,446)	(1,076,446)
Balance at 30 June 2018	9,079,000	-	2,873,933	1,374,506	13,327,439

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

Condensed interim statement of cash flows

	Period ended 30 June 2018 €	Period ended 30 June 2017 €
Net cash used in operating activities	(2,086,578)	(4,372,527)
Net cash used in financing activities	(78,800)	1,017,599
Net movement in cash and cash equivalents	(2,165,378)	(3,354,928)
Cash and cash equivalents at beginning of the year	13,215,303	21,706,858
Cash and cash equivalents at end of the period	11,049,925	18,351,930

The notes on pages 9 to 12 are an integral part of these condensed financial interim 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 2017 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 27 August 2018.

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 2018 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 2017, 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 2017, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2018

During 2018, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2018.

With the adoption of IFRS 9 'Financial Instruments' as from 1 January 2018, the Company reviewed its loans receivable from Group companies and in view of the entities' history, gearing ratios and reserves, it applied judgement in determining the appropriate expected credit loss provisions as a result of adoption of expected credit loss framework under IFRS 9, rather than the incurred loss impairment framework under IAS 39.

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 2018. 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 there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 16, 'Leases'

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 required lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Company also adopting IFRS 15. The Company is yet to assess IFRS 16's full impact.

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 2017.

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, the development of immovable property. 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 condensed interim financial information - continued

7. Capital commitments

As at 30 June 2018, the Company had entered into capital commitments amounting to €15,455,189 (2017: €22,137,741).

8. 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 2018	30 June 2017
	€	€
Earnings per share	(0.12)	(0.07)

9. 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 2018	30 June 2017
	€	€
Purchases of goods and services		
- Purchase of immovable property from ultimate parent	1,470,000	-
- Purchase of construction services from ultimate parent	274,859	264,775
- Purchase of construction services from fellow subsidiary	3,133,318	6,300,721

Bonds of the Company held by directors at 30 June 2018 amounted to €424,500.

Current assets include advance payments made to Pender Contracting Limited amounting to €5,424,163 and a further €817,263 due from Pender Ville Limited. Current liabilities include €1,463,669 due to Pender Contracting Limited. These amounts are interest free and repayable on demand.

Notes to the condensed interim financial information - continued

10. 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 existing Bond of €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.

During the financial year ended 31 December 2017, the Company repurchased, and subsequently cancelled €288,700 of the 5.5% Secured Bonds 2020, which is partly financed through the Company's reserve amounting to €250,000

During the period ended 30 June 2018, the Company repurchased, and subsequently cancelled €78,800 of the 6% Secured Bonds 2022.

At the period end, the Trustee held €403 worth of investments in custody in part fulfilment of the Company's requirement stipulated in the prospectus.

11. Contingent liabilities

No events occurred since 31 December 2017 that require disclosure of any contingent liabilities as at 30 June 2018.

12. Subsequent events

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