

PENDERGARDENS DEVELOPMENTS PLC

Condensed Interim Financial Statements

for the period 1 January 2015 to 30 June 2015

PENDERGARDENS DEVELOPMENTS PLC
Condensed Interim Financial Statements – 30 June 2015

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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 2015, as approved by the Board of Directors on 19 August 2015 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

In May 2014 the Company issued a dual series bond of €42 million (Series I: €15m 5.5% secured 2020; Series II: €27m 6% secured 2022). The bond was oversubscribed. Holders of the €12 million Bonds issued in 2013 converted €10 million from the said bond into the Series II Bond. The remaining €2 million worth of 2013 bonds were redeemed at the earliest redemption date during January 2015. The dual series 2014 Bond is listed on the Malta stock Exchange and trading commenced in June 2014.

The 2014 Bond is being used to finance the completion of Pendergardens Phase II which includes the acquisition of the underlying land from Pender Ville Ltd, the completion of Block 16, and the development of Pendergardens Towers I & II and Block 17. A Design and Build Fixed Sum Contract has been entered into with Pender Contracting Ltd to deliver these completed works whilst the deed of acquisition for the underlying land from Pender Ville Ltd was signed in June 2014. Security on the land in favour of the Bond Trustee has been completed. In line with the Prospectus, on 31 July 2014 the Company increased its equity of €3.3 million by a further €5.779 million through the conversion of outstanding debt with Pender Ville Ltd reaching a total of €9.079 million.

Work on Block 16 has continued throughout the period under review and the first delivery date of units within the block is projected for the end of August 2015. Sales on plan of units within Block 16 have continued to be ahead of projections and as at end of June 2015, 37 Preliminary Agreements have been signed. These represent 80% of the available residential units in Block 16. Interest in the commercial units is positive and the company is currently negotiating with various interested parties. Work on Towers I & II and Block 17 commenced in October 2014, the completion date of which is expected to be in 2018.

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 2015 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 19 August 2015 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
Maleta

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 2015, 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

19 August 2015



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 2015

Introduction

We have reviewed the accompanying condensed statement of financial position of Pendergardens Developments p.l.c. as at 30 June 2015, 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'.

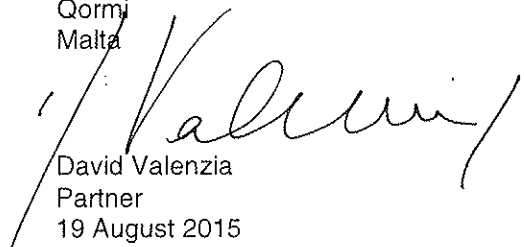
Other matters

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
19 August 2015

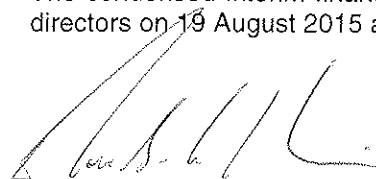
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- a) The maintenance and integrity of the Pendergardens Developments p.l.c. website is the responsibility of the directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors 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 2015 €	As at 31 December 2014 €
ASSETS		
Current assets		
Inventory – development project	33,461,574	28,912,929
Available-for-sale investments	-	21,918,365
Other current assets	26,432,455	10,959,869
Total current assets	59,894,029	61,791,163
Total assets	59,894,029	61,791,163
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	9,079,000	9,079,000
Retained earnings	2,125,541	(871,229)
Fair value reserve	-	2,250,735
Total equity	11,204,541	10,458,506
Non-current liabilities		
Borrowings	41,354,293	41,320,147
Total non-current liabilities	41,354,293	41,320,147
Current liabilities		
Borrowings	-	2,015,000
Trade and other payables	7,335,195	7,997,510
Total current liabilities	7,335,195	10,012,510
Total liabilities	48,689,488	51,332,657
Total equity and liabilities	59,894,029	61,791,163

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 19 August 2015 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 2015 €	Period from 1 January to 30 June 2014 €
Administrative expenses	(389,461)	(26,519)
Operating loss	(389,461)	(26,519)
Finance income	108	298,748
Finance costs	(2,594,354)	(422,333)
Finance costs capitalised within inventory	2,586,258	123,139
Net finance costs expensed	(7,988)	(446)
Bond issue costs written off	-	(320,763)
Gains from disposal of available-for-sale investments	3,394,219	-
	3,394,219	(320,763)
Profit /(loss) for the period	2,996,770	(347,728)
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-	18,720
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(2,250,735)	
Total comprehensive income for the period	746,035	(329,008)
Earnings per share	0.33	(0.11)

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 2014	3,300,000	-	(26,227)	3,273,773
Comprehensive income				
Loss for the period	-	-	(347,728)	(347,728)
Other comprehensive income				
Net change in fair value of investments	-	18,720	-	18,720
Total comprehensive income	-	18,720	(347,728)	(329,008)
Balance at 30 June 2014	3,300,000	18,720	(373,955)	2,944,765
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

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 2015 €	Period ended 30 June 2014 €
Net cash used in operating activities	(2,400,535)	(5,989,019)
Net cash generated from/(used in) investing activities	23,061,849	(24,562,599)
Net cash (used in)/generated from financing activities	(2,015,000)	29,368,057
Net movement in cash and cash equivalents	18,646,314	(1,183,561)
Cash and cash equivalents at beginning of the year	2,145,458	8,247,141
Cash and cash equivalents at end of the period	20,791,772	7,063,580

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 2014 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 19 August 2015.

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 2015 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 2014, 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 2014, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2015

During 2015, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2015.

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 2015. 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 2014.

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 2014 the Company held investments in government stocks and corporate bonds that are quoted on the local stock exchange.

During the period ended 30 June 2015, due to turmoil on the international markets, the Company disposed of these investments and registered a realised gain of €3,394,219.

Notes to the condensed interim financial information - continued

8. Capital commitments

As at 30 June 2015, the Company had entered into capital commitments amounting to €38,487,996 (2014: €4,828,122).

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 2015	30 June 2014
	€	€
Earnings/(loss) per share	0.33	(0.11)

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 2015	30 June 2014
	€	€
Purchases of goods and services		
- Purchase of land and related development costs from ultimate parent	-	9,212,969
- Purchase of construction services from fellow subsidiary	3,167,229	5,079,711

Bonds of the Company held by directors at 30 June 2015 amounted to €424,500.

Current assets include advance payments made to Pender Contracting Limited amounting to €2,788,607 and a further €2,282,953 due from Pender Ville Limited. Current liabilities include €1,337,475 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 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 2015, the company is required through the Security Trustee, to build a Reserve Account equivalent to 100% of each Bond by Redemption Date.

12. Contingent liabilities

No events occurred since 31 December 2014 that require disclosure of any contingent liabilities as at 30 June 2015.

13. Subsequent events

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