

PENDERGARDENS DEVELOPMENTS PLC

**Condensed Interim Financial Statements
for the period 1 January 2020 to 30 June 2020**

PENDERGARDENS DEVELOPMENTS PLC
Condensed Interim Financial Statements – 30 June 2020

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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 2019. The interim financial information included in this report has been extracted from the Company's unaudited accounts for the six months ended 30 June 2020, as approved by the Board of Directors on 20 August 2020 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 Pendergardens Tower at Pendergardens in St. Julian's, Malta. The Company also leases various retail outlets and offices as well as operates the public car park at Pendergardens.

Review of the business

Works on Block 16 were completed in 2015. Works on Block 17 were completed at the end of 2018, while the full completion of Pendergardens Tower occurred in June 2020.

All 46 units in Block 16 had been sold by 30 June 2019. Block 17 consisted of 47 units, 44 of which had also been sold by 30 June 2019. The remaining 3 apartments were sold in January 2020, fetching a price of €2,140,000 inclusive of three car spaces. Pendergardens Tower comprises 28 residences plus 2 penthouses, of which 9 units and a penthouse had been sold by 31 December 2019. A further 5 residences and 6 car spaces were sold by 30 June 2020 for €5,385,000. Of the remaining 15 units, 8 units and 8 car spaces are subject to preliminary agreements, entailing sales revenue of €7,243,875.

Other than the supermarket and the adjacent retail units sold in 2017, the office and retail areas of Block 16, Block 17 and Pendergardens Tower are available on the market for sale or lease. As at 30 June 2020, seven lease agreements have been entered into by the Company. Three of these agreements are for retail units, two within Block 16 and one within Pendergardens Tower. Three other agreements are in respect of 5 floors out of the 7 office floors within Pendergardens Tower. The Company has also entered into a lease agreement for a Wellness Centre, and is currently in negotiations with other interested parties with respect to the other available office and retail spaces.

In the period under review, the Company registered a profit before tax of €1,073,167 (30 June 2019: €551,925), with a profit after tax credit of €1,336,943 (30 June 2019: €176,219). The company's Series I €15 million 5.5% secured bond of a nominal value of €100 per Bond was redeemed on 31 May 2020 (Refer to Note 10 for further detail).

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 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 secured the necessary funding to be able to develop and finish the said properties. 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.

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 2019.

Interim Directors' report - continued

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

As a result of the emergence of the COVID-19 pandemic, the directors have prepared both profitability and liquidity projections using a baseline scenario adopting prudent assumptions. The assumptions factor in the expectation of very limited changes in the company's operations given that to-date the project is now complete and most of the company's inventory is either sold or subject to promise of sale agreements. Reduced levels of revenues from the car park and also certain assumptions for timing of rental income from investment properties has been factored into the assessment. The directors reasonably expect that the company will honour its obligations as and when they fall due, including payment of the coupon on the remaining Bond in issue. In view of the fact that the Pendergardens Project is monitored closely and that costs are in line with budgets, the directors believe that it is appropriate to prepare the interim financial statements on a going concern basis and do not envisage any material uncertainty in this regard. The financial statements however do not include any adjustments in the event that the forecast and assumptions do not materialise as planned. Reference should also be made to Note 2 to these financial statements.

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 2020 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.

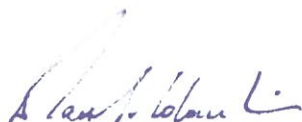
Directors

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 20 August 2020 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 2020, 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

20 August 2020



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 condensed interim statement of financial position of Pendergardens Developments p.l.c. on page 5 as at 30 June 2020 and the related condensed interim 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 2020, 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, Zone 5,
Central Business District, Qormi
Malta



Stephen Mamo
Partner

20 August 2020


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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 2020 €	As at 31 December 2019 €
ASSETS		
Non-current assets		
Investment property	32,800,000	32,800,000
Property, plant and equipment	7,831,365	7,876,626
Trade and other receivables	7,580,254	2,456,486
Total non-current assets	48,211,619	43,133,112
Current assets		
Inventory - development project	7,537,968	11,189,326
Other current assets	10,865,774	27,201,913
Total current assets	18,403,742	38,391,239
Total assets	66,615,361	81,524,351
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	9,079,000	9,079,000
Revaluation reserve	16,160,981	16,160,981
Retained earnings	4,440,158	3,103,215
Total equity	29,680,139	28,343,196
Non-current liabilities		
Deferred tax liabilities	940,000	940,000
Borrowings	26,614,517	26,628,007
Total non-current liabilities	27,554,517	27,568,007
Current liabilities		
Trade and other payables	9,265,805	10,901,848
Borrowings	114,900	14,711,300
Total current liabilities	9,380,705	25,613,148
Total liabilities	36,935,222	53,181,155
Total equity and liabilities	66,615,361	81,524,351

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 20 August 2020 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 2020 €	Period from 1 January to 30 June 2019 €
Revenue	8,331,756	7,667,060
Direct operating costs	(5,143,379)	(5,670,916)
Gross profit	3,188,377	1,996,144
Selling expenses	(417,166)	(161,421)
Administrative expenses	(592,128)	(545,496)
Other income	70,749	24,228
Operating profit	2,249,832	1,313,455
Finance income	2,946	14,549
Finance costs	(1,179,609)	(776,079)
Net finance costs expensed	(1,176,663)	(761,530)
Profit before tax	1,073,169	551,925
Tax credit/(expense)	263,774	(375,706)
Profit for the period	1,336,943	176,219
Earnings per share	0.15	0.02

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 €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2019	9,079,000	16,160,981	472,262	25,712,243
Comprehensive income				
Profit for the period	-	-	176,219	176,219
Total comprehensive income	-	-	176,219	176,219
Balance at 30 June 2019	9,079,000	16,160,981	648,481	25,888,462
Balance at 1 January 2020	9,079,000	16,160,981	3,103,215	28,343,196
Comprehensive income				
Profit for the period	-	-	1,336,943	1,336,943
Total comprehensive income	-	-	1,336,943	1,336,943
Balance at 30 June 2020	9,079,000	16,160,981	4,440,158	29,680,139

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 2020 €	Period ended 30 June 2019 €
Net cash generated from/(used in) operating activities	229,140	(4,308,864)
Net cash used in investing activities	(112,051)	(28,327)
Net cash used in financing activities	(59,500)	-
Net movement in cash and cash equivalents	57,589	(4,337,191)
Cash and cash equivalents at beginning of the year	7,726,790	15,346,067
Cash and cash equivalents at end of the period	7,784,379	11,008,876

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 Pendergardens Tower at Pendergardens in St. Julian's, Malta.

The financial statements for the year ended 31 December 2019 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 20 August 2020.

These condensed interim financial statements were 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 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Assessment of going concern assumption

As the Company confronts the unprecedented challenges brought about by the global COVID19 pandemic, it has taken all available measures to contain and manage the financial impact. After making due enquiry and using the best judgment available at the time of approving these condensed interim financial statements, an impact assessment has been carried out by the Board, including a review of a baseline scenario entailing prudent assumptions for assessing both profitability and liquidity. The respective assumptions factor in satisfactory completion of final deeds for properties currently subject to promise of sale agreements, reduced levels of revenues from the car park and also certain assumptions for timing of rental income from investment properties. The assumptions factor conservative property sales in the twelve month period from signing of these condensed interim financial statements. Based on this review and the measures taken as indicated above, the Board expects that the Company will be able to sustain its operations over the next twelve months, and to meet its obligations as and when they fall due. Based on the foregoing, the Board has concluded that there is no material uncertainty and it remains appropriate to adopt the going concern basis in the preparation of these 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 2019, as described in those financial statements.

Notes to the condensed interim financial information - continued

3. Summary of significant accounting policies - continued

Standards, interpretations and amendments to published standards effective in 2020

During 2020, the Company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies impacting the company's financial performance and position.

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 2020. 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.

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 2019.

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 2020, the Company had entered into capital commitments amounting to €1,242,237 (2019: €1,508,551).

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 2020	30 June 2019
	€	€
Earnings per share	0.15	0.02

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 2020	30 June 2019
	€	€
Purchases of goods and services		
- Purchase of administrative services from ultimate parent	224,891	303,195
- Purchase of construction services from fellow subsidiary	1,014,667	2,953,365

Bonds of the Company held by directors at 30 June 2020 amounted to €412,000.

Current assets include advance payments made to Pender Contracting Limited amounting to €527,962, and a further €610,425 due from Pender Ville Limited. Current liabilities include €772,784 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 was redeemed on 31 May 2020, whereas the 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 Pendergardens Tower at Pendergardens in St. Julian's, 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 €7,170,184 worth of investments in custody in part fulfilment of the Company's requirement stipulated in the prospectus.

11. Contingent liabilities

No events occurred since 30 June 2020 that require disclosure of any contingent liabilities as at 30 June 2020.

12. Subsequent events

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