

PENDERGARDENS DEVELOPMENTS PLC

Condensed Interim Financial Statements

for the period 1 January 2014 to 30 June 2014

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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 2014, as approved by the Board of Directors on 18 August 2014 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 1: €15m 5.5% secured 2020; Series 2: €27m 6% secured 2022). The bond was oversubscribed. Holders of Bonds issued in 2013 converted some €10 million from the 2013 bond into the Series 2 Bond. The remaining €2 million worth of 2013 bonds will be redeemed at the earliest redemption date being January 2015. The 2014 Bond is listed on the Malta stock Exchange and trading commenced in June.

The 2014 Bond will be 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 has been signed. Security on the land in favour of the Bond Trustee has been completed. In line with the Prospectus the Company is in the process of increasing its current equity of € 3.3 million by a further €5.779 million through the conversion of outstanding debt with Pender Ville Ltd. Total Equity will be increased to € 9.079 million. The transaction is expected to be completed and registered by the end of August 2014.

Work on Block 16 has continued throughout the period under review. Some delay has been experienced in the civil works however remedial action has been taken to recover most of the delay during the finishing phase. The delivery date of the block is now projected for end August 2015 instead of July 2015. This is not expected to have any impact on revenues. Sales on plan of units within Block 16 have continued to be ahead of projections and as at end of June 26 Preliminary Agreements having been signed. Interest in the commercial units is positive and the company is currently negotiating with various interested parties.

In March 2014 independent director Frank Xerri de Caro resigned as a director due to his position held on the Listing Committee of the Malta Financial Services Authority. Mr Joseph F.X. Zahra was appointed as an independent director in March 2014. He also sits on the Audit Committee.

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 2014 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.

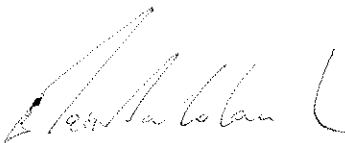
Directors

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 (appointed on 3.3.2014)
Philip Farrugia
Frank Xerri de Caro (resigned on 3.3.2014)

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

Approved by the Board of Directors on 18 August 2014 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 2014, 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

18 August 2014



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 2014

Introduction

We have reviewed the accompanying condensed statement of financial position of Pendergardens Developments p.l.c. as at 30 June 2014, 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

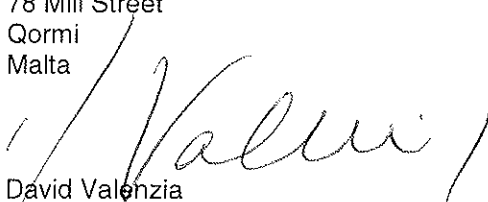
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Other matters

This report, including the conclusion, has been prepared for 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
18 August 2014

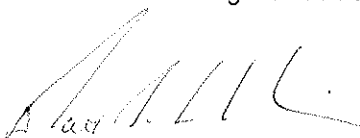
a) The maintenance and integrity of the Pendergardens Developments p.l.c. website is the responsibility of the directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may 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 2014 €	As at 31 December 2013 €
ASSETS		
Current assets		
Inventory – development project	23,015,393	8,718,031
Other current assets	28,686,038	10,022,014
Total current assets	51,701,431	18,740,045
Total assets	51,701,431	18,740,045
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	3,300,000	3,300,000
Retained earnings	(373,955)	(26,227)
Other reserves	18,720	-
Total equity	2,944,765	3,273,773
Non-current liabilities		
Borrowings	41,314,967	11,679,237
Total non-current liabilities	41,314,967	11,679,237
Current liabilities		
Trade and other payables	7,441,699	3,787,035
Total current liabilities	7,441,699	3,787,035
Total liabilities	48,756,666	15,466,272
Total equity and liabilities	51,701,431	18,740,045

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 18 August 2014 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 2014	Period from 1 January to 30 June 2013
	€	€
Administrative expenses	(26,519)	(3,778)
Operating loss	(26,519)	(3,778)
Bond issue costs written off	(320,763)	-
	(347,282)	(3,778)
Finance income	298,748	77,340
Finance costs	(422,333)	(296,416)
Finance costs capitalised within inventory	123,139	218,996
Net finance costs expensed	(446)	(80)
Loss for the period	(347,728)	(3,858)
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	18,720	-
Total comprehensive income for the period	(329,008)	(3,858)
Earnings per share	(0.12)	(0.00)

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

Condensed interim statement of changes in equity

	Share capital €	Retained earnings €	Other reserves €	Total €
Balance at 5 November 2012	-	-	-	-
Comprehensive income				
Loss for the period – total comprehensive income	-	(3,858)	-	(3,858)
Transactions with owners				
Proceeds from issue of share capital	3,300,000	-	-	3,300,000
Balance at 30 June 2013	3,300,000	(3,858)	-	3,296,142
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	-	(347,728)	18,720	(329,008)
Balance at 30 June 2014	3,300,000	(373,955)	18,720	2,944,765

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 2014 €	Period ended 30 June 2013 €
Net cash used in operating activities	(5,989,019)	(3,058,336)
Net cash used in investing activities	(24,562,599)	-
Net cash generated from financing activities	29,368,057	12,005,540
Net movement in cash and cash equivalents	(1,183,561)	8,947,204
Cash and cash equivalents at beginning of the year	8,247,141	-
Cash and cash equivalents at end of the period	7,063,580	8,947,204

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

Notes to the condensed interim financial information

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.

The financial statements for the year ended 31 December 2013 are available upon request from the company's registered office at GB Buildings, 2nd Floor, 28, Water Street, Ta' Xbiex, XBX1310, Malta.

This condensed interim financial information was approved for issue by the Board of Directors on 18 August 2014.

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 2014 has 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 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Assessment of going concern assumption

The company has been reviewing its financial arrangements to make sure that it continues to be in a position to meet its operational and cash flow commitments. During the six-month period ended 30 June 2014, the company issued a Bond of €15 million, 5.5% Secured Bonds 2020 and a Bond of €27 million, 6% Secured Bonds 2022 in order to be able to refinance the existing €12 million Bond, to finish development of Block 16 and to develop Block 17 and Towers I & II at Pendergardens.

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 2013, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2014

During 2014, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2014.

Notes to the condensed interim financial information - continued

3. Summary of significant accounting policies - continued

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.

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 this condensed interim financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2014. 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 2013.

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 this 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

The Company holds investments in government stocks and corporate bonds that are quoted on the local stock exchange. During the period ended 30 June 2014, these investments registered a gain in their fair value, which was transferred to fair value reserve.

Notes to the condensed interim financial information - continued

8. Capital commitments

As at 30 June 2014, the Company had entered into capital commitments amounting to €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 2014	30 June 2013
	€	€
Loss per share	(0.12)	(0.00)

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 2014	30 June 2013
	€	€
Purchases of goods and services		
- Purchase of land and related development costs from ultimate parent	9,212,969	4,755,460
- Purchase of construction services from fellow subsidiary	5,079,711	844,658

Bonds of the Company held by directors at 30 June 2014 amounted to €424,500.

Current assets include advance payments made to Pender Contracting Limited amounting to €1.2m and current liabilities include €6.4m due to Pender Ville Limited and Pender Contracting Limited. Amounts are interest free and repayable on demand.

Notes to the condensed interim financial information - continued

11. Interest bearing borrowings

On the 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.

12. Contingent liabilities

No events occurred since 31 December 2013 that require disclosure of any contingent liabilities as at 30 June 2014.

13. Subsequent events

At the Extraordinary General Meeting of the Members of the Company held on the 31st July 2014, it was resolved to increase the authorised share capital of the Company to €9,100,000 divided into ordinary shares of one euro each and to increase the issued share capital of the Company by €5,779,000 divided into ordinary shares of one euro each, for an aggregate issued share capital of €9,079,000.

Five million seven hundred seventy nine thousand (5,779,000) ordinary shares of one euro each were allocated to Pender Ville Limited in respect of an amount of €4,318,000 representing the part settlement of the consideration (the Non-Cash Component) for the transfer of land at the Pender Place site, which has been acquired by the Company from Pender Ville Limited by virtue of a public deed dated 2nd June 2014 and an amount of €1,461,000 representing the capitalisation of a shareholder's loan due by the Company to Pender Ville Limited.