

SUMMARY NOTE

This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

Dated 5 May 2014

The Secured Bonds are being issued by

PENDERGARDENS DEVELOPMENTS P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 58098

For a description of the security in respect of the Bonds, see Section E.2b of this Summary Note.

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

APPROVED BY THE DIRECTORS



Edmund Gatt Baldacchino



Edward Licari



John Attard



Philip Farrugia



Joseph FX Zahra

Legal Counsel
to the Sponsor & Manager

Legal Counsel
to the Issuer

Security Trustee

Sponsor
& Manager

Registrar

IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO PENDERGARDENS DEVELOPMENTS P.L.C. (THE “ISSUER”), ITS BUSINESS AND THE SECURITIES BEING ISSUED IN TERMS OF THE PROSPECTUS. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012), COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013 AND COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014.); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ITS DIRECTORS OR ADVISORS. THE ADVISORS ENGAGED BY THE ISSUER FOR THE PURPOSE OF THIS BOND ISSUE ARE ACTING EXCLUSIVELY FOR THE ISSUER.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE LISTING AUTHORITY FOR THE APPROVAL OF THE PROSPECTUS AND FOR THE ADMISSION OF THE ISSUER’S BONDS ON A REGULATED MARKET. APPLICATION HAS ALSO BEEN MADE TO THE MSE FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THIS DOCUMENT. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN ANY FINANCIAL INSTRUMENTS AND SECURITIES ISSUED BY THE ISSUER.

ALL THE ADVISORS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISORS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN, THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE WITH RESPECT TO THE BOND ISSUE, YOU SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA).

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE

PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

This Summary Note is prepared in accordance with the requirements of the Regulation, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

In this Summary Note the following words and expressions shall bear the following meaning except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	a person or persons who subscribe for Secured Bonds through Charts or other financial intermediaries;
Application Form	the forms of application of subscription for Bonds, a specimen of which is contained in Annex I of the Securities Note;
Application/s	the application to subscribe for Bonds made by an Applicant/s (including an Existing Noteholder) through Charts or other financial intermediaries;
Bond Issue or Offer	the issue of the Secured Bonds;
Bond Issue Price	the price of €100 per Bond in the case of both the Series I Bond and the Series II Bond;
Bondholder/s	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Charts	Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Collateral or Security Interests	<ul style="list-style-type: none"> i. the first-ranking general hypothec to be constituted by the Company in favour of the Trustee, over all its assets present and future for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; ii. the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hypothecated Property for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; and iii. the pledge on the proceeds of insurance covering the replacement value of the Project;

CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Cut-Off Date	close of business of 5 May 2014;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Notary Pierre Attard whereby <i>inter alia</i> the Issuer constitutes the Collateral in favour of the Trustee;
Directors or Board	the directors of the Issuer whose names are set out under the heading “ Identity of Directors, Senior Management, Advisors and Auditors ” in the Registration Document;
Euro or €	the lawful currency of the Republic of Malta;
Existing Note	the Global Note issued by the Issuer in favour of Equinox International Limited (the “ Existing Note Trustee ”) representing the amount due by the Issuer to the Existing Note Trustee and creating, acknowledging and representing the indebtedness of the Issuer to the Existing Note Trustee in accordance with the terms and conditions set out in the Global Note issued pursuant to a prospectus dated 6 February 2013; which Global Note has a final maturity on 13 January 2019 but with optional redemption dates on any day falling between (and including) 15 January 2015 and 13 January 2019, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Global Note and all interests accrued up to the date of prepayment, by giving 30 days prior written notice of such prepayment between 15 January 2015 and 13 January 2019 (both days included) and “ Early Redemption of the Existing Note ” shall be construed accordingly;
Existing Noteholder	a holder of Existing Notes as at the Cut-Off Date;
Group	PVL and its subsidiaries Pendergardens Limited (C 41880), PCL and the Issuer;
Hypothecated Property	the plot of land together with the improvements made thereon situated within Pendergardens, having a superficial area of approximately 4,596m ² and earmarked for the construction of Block 16, Block 17 and Towers I & II of Pendergardens, consisting of residential apartments, commercial outlets, office space and underlying car park spaces, as detailed in Section 4.2 of the Registration Document;
Interest Payment Date	31 May of each year between and including each of the years 2015 and the year 2020 in the case of the Series I Bonds, and 31 July of each year between and including each of the years 2015 and the year 2022 in the case of the Series II Bonds, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	5 June 2014;
Issuer or Company	Pendergardens Developments p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 58098 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;
Listing Rules	the listing rules of the Listing Authority
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
New Developments	the construction and development of each of Block 17 and Towers I & II;
Nominal Value or Par Value	€100 per Bond;
Offer Period	the period between 12 May 2014 to 26 May 2014 during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;

Pender Contracting Limited or PCL	Pender Contracting Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 38017 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex, XBX 1301, Malta;
Pender Ville Limited or PVL	Pender Ville Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 36675 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex, XBX 1301, Malta;
Pendergardens	the mixed use residential and commercial development to be constructed on a site measuring 18,500m ² in Pender Place, St Andrew's Road, St Julians, part of which has already been completed as at the date of this Prospectus as detailed in Section 4.1.3 of the Registration Document;
Placement Agreement	shall have the meaning set out in Section 7.4 of the Securities Note;
Project or Phase II	<p>the construction and development of:</p> <ul style="list-style-type: none"> i. Block 16 - consisting of 46 residential apartments, 971m² of commercial space and 4 levels of underlying car park spaces; ii. Block 17 - comprising 2 floors of commercial space and a further 7 floors of residential apartments (43 units), 4 levels of underground car park spaces and an adjacent swimming pool at level 1; and iii. Towers I & II - consisting of an 18-floor tower and a 16-floor tower connected by a single common core. The first seven floors of both towers are earmarked for office space, whilst the remaining floors will be developed into residential apartments (30 units). Towers I & II will also include retail space at ground level and 4 levels of underlying car park spaces. <p>Phase II is described in further detail in Section 4.2 of the Registration Document;</p>
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Redemption Date	31 May 2020 in the case of the Series I Bonds and 31 July 2022 in the case of the Series II Bonds;
Redemption Value	the Nominal Value of each Bond;
Registration Document	the registration document issued by the Issuer dated 5 May 2014, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards to regulatory technical standards for publication of supplements to the Prospectus;
Secured Bond(s) or Bond(s)	the Series I Bonds and the Series II Bonds;
Securities Note	the securities note issued by the Issuer dated 5 May 2014, forming part of the Prospectus;
Security Interests	see Collateral;
Security Trustee or Trustee	Equinox International Limited having its registered office at 9, Level 2, Valletta Buildings South Street, Valletta
Series I Bonds	the €15 million secured bonds due 2020 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 5.5% per annum, as detailed in the Securities Note;

Series II Bonds	the €27 million secured bonds due 2022 of a face value of €100 per bond, redeemable at their nominal value on the Redemption Date and bearing interest at the rate of 6% per annum, as detailed in the Securities Note;
Sponsor	Charts;
Summary Note	this document in its entirety;
Terms and Conditions	the terms and conditions of each of (a) the Series I Bonds as contained in the Securities Note; and (b) the Series II Bonds as contained in the Securities Note;
Trust Deed	The trust deed signed between the Company and the Security Trustee dated 30 April 2014;
Trust Property	The rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Security Interests for the benefit of Bondholders.

SECTION A - INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

- i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before legal proceedings are initiated; and
- iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

A.2 **Consent required in connection with the use of the Prospectus during the Offer Period by Charts and/or any other financial intermediary:**

Prospective investors are hereby informed that:

- i. The Issuer has entered into the Placement Agreement with Charts. It is the intention of Charts that during the Offer Period it shall accept subscriptions for the Bonds from other financial intermediaries and customers. For the purposes of any subscription for Bonds through Charts and/or any other financial intermediary during the Offer Period and any subsequent resale, placement or other offering of Bonds by Charts and/or any other financial intermediary in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement, provided this is limited only:
 - a. in respect of Bonds subscribed for through Charts and/or any other financial intermediary during the Offer Period;
 - b. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
 - c. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus (the consent provided herein shall no longer apply following the lapse of such period).
- ii. **in the event of a resale or placement of Bonds by Charts and/or any other financial intermediary, Charts and/or any other financial intermediary will provide information to investors on the terms and conditions of the resale or placement at the time such is made.** Where such information is not contained in the Prospectus, it will be the responsibility of Charts and/or any other financial intermediary at the time of such offer to provide the investor with that information. The Issuer, has undertaken in favour of Charts and financial intermediaries that it shall keep Charts and financial intermediaries informed of any changes to information that may be relevant and which was not known as at the date of this document through the publication of such information by way of a company announcement through the MSE.

SECTION B - ISSUER

- B.1 The legal and commercial name of the Issuer is Pendergardens Developments p.l.c.
- B.2 The Issuer was registered in Malta in terms of the Act on 5 November 2012 as a private limited liability company. It was subsequently converted to a public limited liability company on 22 January 2013. The Issuer is domiciled in Malta.
- B.4b The principal object of the Issuer is to acquire and develop real estate properties. At present, the Issuer is involved in the construction and development of Phase II of the Pendergardens project. This second phase commenced in January 2013 with Block 16 and the construction thereof will be completed by mid-2015. In the third quarter of 2014, the Issuer will initiate development of Block 17 and Towers I & II, and both properties will be built over a four-year period.

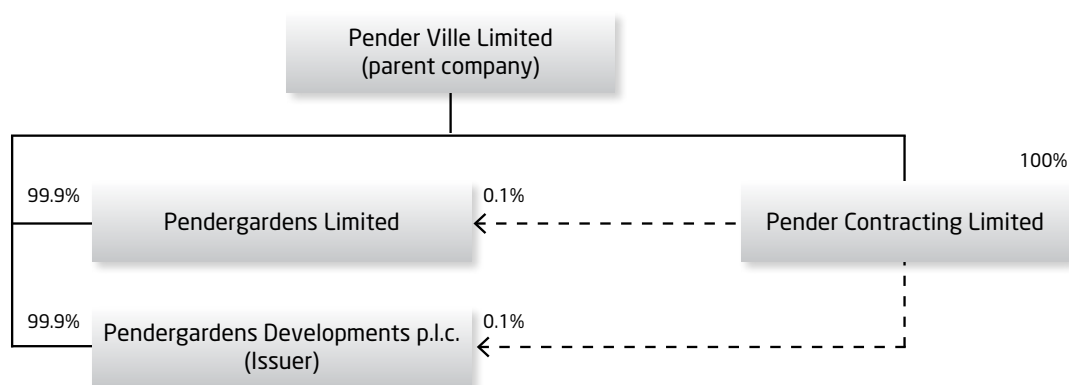
The Issuer considers that generally it shall be subject to the normal business risks associated with the property market and barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on its upcoming prospects, at least up to the end of 2015.

The property market in Malta has been somewhat subdued in the last few years. Notwithstanding the softening of the property market, there is still active demand for owning property at Pendergardens, albeit at lower levels than at the height of the property market in 2007. The Directors are satisfied that their target of selling the full complement of units, which were placed on the market to date, has been achieved and are confident that demand for Blocks 16, 17 and Towers I & II will be equivalent. As at the date of this Prospectus, sales results for Block 16 have significantly exceeded targets set in the prospectus dated 6 February 2013 with 70% of targets set for the end of 2015 being already achieved by April 2014.

Management has acquired considerable knowledge from Phase I, not only from the construction and development perspective, but also from a prospective buyer's point of view. The Company's offerings will be based on this experience, and the units will therefore be finished to a higher quality standard than the previous blocks and will also incorporate new features such as the facility to connect to an LPG infrastructure to provide tenants a more efficient and environmentally cleaner energy source. Furthermore, since six blocks are now complete and tenants are residing at Pendergardens, a prospective investor can better appreciate the development generally, its piazza, landscaping and open spaces, and management thereof and the high quality of finishes of its apartments and common areas.

As to the commercial element, Block 16, 17 and Towers I & II will offer *circa* 15,973m² of gross commercial/retail/office area, which is expected to be appealing to prospective tenants and investors given that the frontage will be situated on a main arterial road and thereby offering maximum exposure. Moreover, the area enjoys a high level of activity as it is surrounded by a number of hotels (mostly in the five-star category), office blocks, including those to be developed at The Exchange Financial and Business Centre, and various retail, food and beverage outlets.

- B.5 The organisational structure of the Group is illustrated in the diagram below.



- B.9 Not Applicable: the Registration Document forming part of the Prospectus does not contain any profit forecasts or estimates.
- B.10 Not Applicable: the audit report in the audited financial statements for the period 5 November 2012 to 31 December 2013 does not contain any material qualifications.
- B.12 The historical financial information for the Issuer for the period 5 November 2012 to 31 December 2013 as audited by PricewaterhouseCoopers is set out in the audited financial statements of the Issuer. Such audited financial statements are available on the Issuer's website (<http://www.pendergardens.com>) and at its registered office.

The remaining components of Element B.12 are not applicable, given that there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

Extracts of the historical financial information referred to above are set out below:

Pendergardens Developments p.l.c.	
Income Statement for the period 5 November 2012 to 31 December 2013	
	€
Administrative expenses	(26,042)
Net finance costs	(185)
Loss for the period	(26,227)

Pendergardens Developments p.l.c.	
Balance Sheet as at 31 December 2013	
	€'000
ASSETS	
Current assets	18,740
EQUITY AND LIABILITIES	
Equity	3,274
Liabilities	
Non-current liabilities	11,679
Current liabilities	3,787
Total liabilities	15,466
Total equity and liabilities	18,740

Pendergardens Developments p.l.c.	
Cash Flow Statement for the period 5 November 2012 to 31 December 2013	
	€'000
Net cash from operating activities	(3,387)
Net cash from financing activities	11,634
Net movement in cash and cash equivalents	(8,247)
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	(8,247)

B.13 Not Applicable: The Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its solvency.

B.14 Since inception, the Group has been engaged in the acquisition and development of the site over which Phase I has been developed and the site earmarked for the development of Phase II. The Group had originally acquired the site through PVL. Following the successful completion of Phase I, the Group established the Company as a public company and as the vehicle through which it raised debt finance for the development of Block 16 which forms an integral part of Phase II. All Human Resources of the Group, that were originally engaged by PVL remain employed by PVL, as the parent company, but all personnel are deployed by the Group in the development of the Project, which is currently the only project being undertaken by the Group. The Directors believe that through the involvement of the senior management of PVL, that is made available to the Company, there are benefits for the Company in terms of the experience and knowledge acquired by PVL's senior executives following the completion of Phase I. The Directors consider that the current organisational structure and intra-group arrangements for the deployment of senior management is adequate for the present activities

of the Company. The Directors will maintain this structure under continuous review to ensure that it meets the changing demands of the business.

- B.15 As at the date of this Prospectus, the Issuer operates exclusively for the purpose of developing Phase II of Pendergardens. In terms of its Memorandum and Articles of Association, the principal objects of the Issuer are (i) to carry on the business of a finance, investment and property development company; (ii) to carry on the business of the financing or re-financing of the funding requirements of the business of the Group; (iii) to borrow and raise money for the purpose of its business and to secure the repayment of the money borrowed by hypothecation or other charge upon the whole or part of the movable and immovable assets or property of the Company, present or future; and (iv) to issue notes, bonds, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public.
- B.16 The Issuer is a wholly-owned subsidiary of PVL. The Company has an authorised and issued share capital of €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 each, fully paid up. PVL holds 3,295,959 (three million two hundred and ninety five thousand nine hundred and fifty nine) ordinary shares of €1 each, and PCL holds 4,041 (four thousand and forty one) ordinary shares of €1. Following the Bond Issue and upon finalisation of the acquisition of the site earmarked for the New Development and capitalisation of a shareholder's loan of €1,461,000, the Company's issued share capital shall be increased by an additional €5,779,000 to a total issued share capital of €9,079,000.
- B.17 Not Applicable: The Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.

SECTION C - SECURITIES

- C.1 The Issuer shall issue two series of Bonds, namely: €15 million 5.5% Secured Bonds 2020 of a nominal value of €100 per Bond issued at par, and €27 million 6% Secured Bonds 2022 of a nominal value of €100 per Bond issued at par. The Secured Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Series I Bonds and Series II Bonds will have the following respective ISIN numbers MT000791203 and MT0000791211. The Secured Bonds shall be repayable in full upon maturity unless they are previously re-purchased, cancelled or redeemed.
- C.2 The Secured Bonds are denominated in Euro (€).
- C.5 The Secured Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- C.8 There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest and in accordance with the below described ranking.

Ranking: The Bonds are debt obligations of the Issuer secured by a first-ranking general hypothec over the Company's assets and also by a first-ranking special hypothec over the Hypothecated Property.

PVL and BOV have agreed for the latter to waive all hypothecary rights registered over the land where each of Block 17 and Towers I & II are to be developed, which shall take place after the close of the Offer Period and upon receipt by BOV of the amount of €5 million. The Issuer shall pay PVL the consideration due for the acquisition of the land out of the proceeds of the Bond Issue, following which PVL shall pay BOV the said €5 million against the release by BOV of all security interests it holds over the Hypothecated Property.

The Issuer and the Existing Note Trustee have agreed for the latter to waive all hypothecary rights registered over Block 16, against: (a) all the Existing Notes being fully redeemed; (b) all of the Existing Notes being surrendered to the Issuer as a form of payment for the Series II Bonds; or (c) part of the Existing Notes being surrendered as a form of payment for the Series II Bonds and the nominal value of outstanding Existing Notes and interest thereon up to and including 15 January 2015 being deposited with the Existing Note Trustee for the latter to pay out to remaining Existing Noteholders upon the Early Redemption of the Existing Note.

The Hypothecated Property shall thereafter be unencumbered and without any charges registered over the Hypothecated Property. Pursuant to the Trust Deed, the Issuer has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders the above-mentioned general and special hypothecs for the full amount of €42 million.

The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE and the hypothecs described above being constituted in favour of the Security Trustee.

C.9 The Series I Bonds shall bear interest from and including 27 May 2014 at the rate of 5.5% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 May 2015. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is five point five per cent (5.5%). The Series II Bonds shall bear interest from and including 27 May 2014 at the rate of 6% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 July 2015. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is six per cent (6%). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

The remaining component of Element C.9 is not applicable, given that no representative of debt security holders has been appointed.

C.10 Not Applicable: there is no derivative component in the interest payments on the Bonds.

C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 5 May 2014. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List. The Bonds are expected to be admitted to the MSE with effect from 5 June 2014 and trading is expected to commence on 6 June 2014.

SECTION D - RISKS

Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Bonds. Prospective investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

The Prospectus contains statements that are, or may be deemed to be, “forward-looking statements”, which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

Below is a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing in the Bonds. The following is a summary of the principal risk factors:

D.2 Key information on the key risks specific to the Issuer and its business:

- i. The Issuer is subject to the general market and economic risks that may have a significant impact on the Project, its timely completion and budgetary constraints. These include factors such as the state of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and other economic and social factors affecting demand for real estate generally. In the event that general economic conditions and property market conditions experience a downturn which is not contemplated in the Issuer’s planning during the construction and completion of the Project, this shall have an adverse impact on the financial condition of the Issuer and its ability to meet its obligations under the Bonds.**
- ii. The Issuer has a limited trading record and history of operations. It was set up in November 2012 specifically to undertake the construction and development of Block 16 and raised finance for the purpose of developing and completing Block 16, which is currently under construction. The Issuer is substantially a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to, the lack of financial stability and risks of delays in completion of the Project. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.**

- iii. The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Issuer operates and targets to sell the properties being developed, may cause sales of units forming part of the Project to sell at prices which are lower than is being anticipated by the Issuer or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances there is a delay in the tempo of sales envisaged by the Issuer, they could have a material adverse impact on the Issuer and its ability to repay the Bonds and interest thereon.
- iv. The Issuer, through PCL, relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of the Project. PCL has engaged the services of third party contractors for the purpose of the development of the Project including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Issuer's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Issuer's business, and its financial condition, results of operations and prospects.
- v. There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Issuer's control, and which could adversely affect the economic performance and value of the Issuer's real estate property under development. Such factors include: (a) changes in general economic conditions in Malta; (b) general industry trends, including the cyclical nature of the real estate market; (c) changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes; (d) possible structural and environmental problems; (e) acts of nature, such as earthquakes and floods, that may damage the property or delay its development; and (f) increased competition in the market segment in which the Issuer is undertaking the real estate development may lead to an oversupply of commercial or residential properties in such markets, which could lead to a lowering of prices and a corresponding reduction in revenue of the Issuer from the Project. Any of the factors described above could have a material adverse effect on the Issuer's business, its respective financial condition and prospects and accordingly on the repayment of the Bond and interest thereon.
- vi. The Issuer makes reliance on the revenues that it expects to generate from the sale of a number of units and garage spaces forming part of the Project to be able to complete the development of the whole Project. If the proceeds from sales of units and/or garage spaces is not in line with expectations or if the proceeds from sales is lower than expectations the Issuer may be unable to complete the development of the whole Project, which could itself have a material adverse impact on the generation of sufficient cash by the Issuer to be able to re-pay the Bonds upon redemption.
- vii. The Issuer's capital structure is highly dependant on debt financing through the Bonds, this could have an adverse effect on the financial condition of the Issuer and prospects of the Project if sales of units and/or garages were to slow down below the current expectations of the Issuer or where the price of real estate at which the Issuer expects to sell units and garage spaces are materially lower than the projected prices expected by the Issuer.
- viii. The Issuer may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Issuer may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on its business, financial condition and results of operations.
- ix. The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

D.3 Essential information on the key risks specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

- i. The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- ii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- iii. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- iv. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- v. Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer, and shall, subject to what is stated below, rank with preference and priority, over any unsecured debt of the Issuer, if any, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the Issuer's business which may rank with priority or preference to the Security Interests.
- vi. In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bonds, or of either of the Series I Bond or Series II Bond, it shall call a meeting of Bondholders. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- vii. The Terms and Conditions applicable to the Bonds are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.
- viii. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

SECTION E - OFFER

E.2b The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €41.25 million, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- i. a maximum amount of €12 million of the proceeds from the Series II Bond will be used to finance the redemption of the outstanding amount of Existing Notes, which the Issuer intends to redeem at the first Early Redemption Date, that is on 15 January 2015;
- ii. the aggregate amount of €8.95 million shall be paid to PVL for the cash settlement of the purchase consideration for the land over which the Project (with the exception of Block 16) shall be developed, and to PCL for the settlement of works in progress executed on the said land;
- iii. the remaining balance of the net Bond Issue proceeds equivalent to *circa* €20 million from the Series I Bond and the Series II Bond shall be applied towards the costs of construction and development of the Project. The outstanding

amount of €26.1 million required to complete the Project shall be generated from net sales of Phase II residential and commercial units.

All proceeds from the Bond Issue shall be held by the Security Trustee pending the constitution of the Collateral to secure the Bonds. Subject to the satisfaction of the conditions precedent set out in Section C.8 above, the Bonds shall be fully subscribed pursuant to the Placement Agreement and Existing Note Transfers (see E.3 below). In the event that either of the conditions precedent is not satisfied, the Security Trustee shall return Bond proceeds received back to investors and no Existing Note Transfers shall take effect.

E.3 All Bonds have been conditionally subscribed by Charts pursuant to the Placement Agreement, save for such portion of the Series II Bond which has been reserved for Existing Noteholders wishing to exchange their Existing Notes in settlement of the purchase consideration of Series II Bonds.

The Series I Bond Issue which has a total value of €15 million has been fully subscribed by Charts pursuant to the Placement Agreement. The Series II Bond has been reserved for subscription as follows: (i) Holders of Existing Notes who wish to settle the consideration due by the transfer to the Issuer of all or part of the Existing Notes held by such Applicant as at the Cut-Off Date, by submitting an Application Form. The amount so reserved is equivalent to the amount outstanding on the Existing Notes, namely €12 million; (ii) The remaining balance of the Series II Bonds equivalent to €15 million, together with any Series II Bonds not taken up by Existing Noteholders under (i) above, have been placed with Charts for distribution to its customers and other financial intermediaries.

In each case, subscription amounts made through Charts and any other financial intermediary shall be in multiples of €100 in both the case of the Series I Bonds and the Series II Bonds, subject to a minimum subscription amount of €2,000 in both the case of the Series I Bonds and the Series II Bonds.

Existing Noteholders applying for Series II Bonds shall settle the amount due for the Nominal Value of the Series II Bonds applied for by completing a pre-printed Application Form indicating that the consideration for the Series II Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Existing Notes held as at the Cut-Off Date in an amount equivalent to the Par Value of the Series II Bonds applied for, subject to a minimum application of €2,000 (“Existing Note Transfer”).

The Issuer entered into a conditional private placement agreement with Charts on 30 April 2014, whereby the Issuer bound itself to allocate to Charts, which has bound itself to purchase, Bonds amounting to an aggregate value of €15 million in the Series I Bond and €15 million in the Series II Bond on 26 May 2014. Charts shall also subscribe to such number of Series II Bonds to be issued to Existing Noteholders for the purpose of exchange of the Existing Notes in the event that Existing Noteholders shall not take up all of the €12 million Series II Bonds reserved for this purpose. The Placement Agreement entered into on 30 April 2014 is conditional on (i) the Bonds being admitted to listing on the Malta Stock Exchange; and (ii) the Security Interests being duly constituted in favour of the Security Trustee.

The following is a synopsis of the general terms and conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus including the full terms and conditions contained in the annexes thereto:

1. General

The Bonds shall, as and when issued, constitute the, general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. In addition, the payment of the principal under the Bonds and interests thereon shall be secured by a first-ranking general hypothec over all the Company’s assets, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. The Bonds shall rank *pari passu* as between themselves. Unless previously redeemed, purchased and cancelled, the Series I Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 31 May 2020 and the Series II Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 31 July 2022.

2. Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed

and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in the Securities Note.

3. Interest

The Series I Bonds shall bear interest from and including 27 May 2014 at the rate of 5.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 May 2015. The Series II Bonds shall bear interest from and including 27 May 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 July 2015. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

An Existing Note Transfer shall be without prejudice to the rights of the holders of Existing Notes to receive interest on the Existing Notes up to and including 15 January 2015. The Issuer intends to settle the difference between the interest rate applicable to the Existing Notes and the interest rate of 7% applicable to the Bonds, from 27 May 2014 up to 15 January 2015 (being the first early redemption date applicable to the outstanding Existing Notes in terms of the prospectus dated 6 February 2013), to all persons holding Existing Notes who would have submitted their Application Form(s) by not later than 21 May 2014 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their Existing Notes to the Issuer as mentioned above.

4. Status of the Bonds

The Bonds shall constitute the general, direct, unconditional and secured obligations of the Issuer, and shall at all times rank *pari passu*, with first priority or preference over all other present and future obligation of the Issuer.

5. Payments

Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Interest Payment Date.

6. Redemption

Unless previously redeemed, purchased and cancelled, the Series I Bonds and Series II Bonds will be redeemed at their Nominal Value (together with interest accrued to the date fixed for redemption) on 31 May 2020 and 31 July 2022 respectively. The Issuer may at any time purchase Bonds in the open market or otherwise at any price, and any purchase by tender shall be made available to all Bondholders alike. All Bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

7. Reserve Account

The Company is required, through the Security Trustee, to build a Reserve Account equivalent to 100% of each Bond by Redemption Date. The transfers to the Reserve Account shall be made as follows: (i) the first €25 million of net sales proceeds will be retained by the Company to cover construction costs of Block 17 and Towers I & II; (ii) the following €25 million of net sales proceeds will be allocated as to 90% to the Security Trustee and 10% to the Company; and (iii) any further sales over and above the initial €50 million (detailed in (i) and (ii) above) shall be allocated as to 95% to the Security Trustee and 5% to the Company. The Company has undertaken to transfer a minimum amount of €100,000 per year to the Reserve Account commencing in the second year from Issue Date of the Bonds. The Security Trustee may invest such monies received in the Reserve Account, subject to the limitations detailed in the Trust Deed.

8. Functions and Powers of the Trustee

The Security Trustee's role includes holding of the Security Interests for the benefit of the Bondholders and the enforcement of those Security Interests upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Bonds which remain exclusively obligations of the Issuer, save to the extent that the Trustee shall apply any amounts held to the credit of the Reserve Account, held by it towards the redemption of the Bonds on their respective Redemption Dates.

9. Events of Default

The Securities Note sets out a list of events of default the occurrence of which would result in the Bonds becoming

immediately due and repayable at their principal amount together with accrued interest.

10. Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

11. Register of Bondholders

Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall at all reasonable times have during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

12. Further Issues and Further Indebtedness

The Issuer may from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds on the Collateral. The Issuer may incur further indebtedness on a short to medium term basis that may rank *pari passu* with the Bonds for the purpose of bridging any cash flow shortfalls arising from the proceeds of sales from the Project.

13. Meetings of Bondholders

The terms and conditions of the Bonds may be amended with the approval of the Bondholders at a meeting called for that purpose by the Issuer in accordance with the terms and procedures set for the holding of Bondholders' meetings.

14. Governing Law and Jurisdiction

The Bonds have been created, and the Bond Issues relating thereto are being made, in terms of the Act. From their inception the Bonds, and all contractual arrangements arising therefrom, shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese Courts as aforesaid.

E.4 So far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Issue.

E.7 Professional fees, costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €750,000.

TIME-TABLE

1. Application Forms mailed to holders of Existing Notes as at the Cut-Off Date	6 May 2014
2. Closing date for Applications to be received from holders of Existing Notes as at the Cut-Off Date	21 May 2014
3. Placement date	26 May 2014
4. Close of Offer Period	26 May 2014
5. Offer Period	12 May 2014 to 26 May 2014
6. Commencement of interest on the Bonds	27 May 2014
7. Expected date of constitution of Security Interests	4 June 2014
8. Expected dispatch of allotment advices	5 June 2014
9. Expected date of admission of the securities to listing	5 June 2014
10. Expected date of commencement of trading in the securities	6 June 2014

REGISTRATION DOCUMENT

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

Dated 5 May 2014

The Secured Bonds are being issued by

PENDERGARDENS DEVELOPMENTS P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 58098

For a description of the security in respect of the Bonds, see the section entitled “**Creating the Security**” in Section 4.3.1 of this Registration Document.

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

Legal Counsel
to the Sponsor & Manager

Legal Counsel
to the Issuer

Security Trustee

Sponsor
& Manager

Registrar

CAMILLERI PREZIOSI
ADVOCATES

VZM VELLA ZAMMIT McKEON
ADVOCATES

EQUINOX INTERNATIONAL
LIMITED

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING


BORŻA TA' MALTA
MALTA STOCK EXCHANGE

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON PENDERGARDENS DEVELOPMENTS P.L.C. IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013 AND COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014).

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

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IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE

CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE SECURITIES CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS" IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Bond Issue or Offer	the issue of the Secured Bonds;
Bondholder/s	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Collateral or Security Interests	<ul style="list-style-type: none"> i. the first-ranking general hypothec to be constituted by the Company in favour of the Trustee, over all its assets present and future for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; ii. the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hypothecated Property for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; and iii. the pledge on the proceeds of insurance covering the replacement value of the Project;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Notary Pierre Attard whereby <i>inter alia</i> the Issuer constitutes the Collateral in favour of the Trustee;
Directors or Board	the directors of the Issuer whose names are set out under the heading “ Identity of Directors, Senior Management, Advisors and Auditors ”;
Euro or €	the lawful currency of the Republic of Malta;
Existing Note	the Global Note issued by the Issuer in favour of the Equinox International Limited (the “ Existing Note Trustee ”) representing the amount due by the Issuer to the Existing Note Trustee and creating, acknowledging and representing the indebtedness of the Issuer to the Existing Note Trustee in accordance with the terms and conditions set out in the Global Note issued pursuant to a prospectus dated 6 February 2013; which Global Note has a final maturity in 13 January 2019 but with optional redemption dates on any day falling between (and including) 15 January 2015 and 13 January 2019, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Global Note and all interests accrued up to the date of prepayment, by giving 30 days prior written notice of such prepayment between 15 January 2015 and 13 January 2019 (both days included) and “ Early Redemption of the Existing Note ” shall be construed accordingly;
Existing Noteholder	a holder of Existing Notes as at the Cut-Off Date;
Group	PVL and its subsidiaries Pendergardens Limited (C 41880), PCL and the Issuer;
Hypothecated Property	the plot of land together with the improvements made thereon situated within Pendergardens, having a superficial area of approximately 4,596m ² and earmarked for the construction of Block 16, Block 17 and Towers I & II of Pendergardens, consisting of residential apartments, commercial outlets, office space and underlying car park spaces, as detailed in Section 4.2 of the Registration Document;
Issuer or Company	Pendergardens Developments p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 58098 and having its registered office at GB Buildings, Watar Street, Ta’ Xbiex XBX 1301, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;

Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
New Developments	the construction and development of each of Block 17 and Towers I & II;
Offer Period	the period between 12 May 2014 to 26 May 2014 during which the Bonds are on offer;
Pender Contracting Limited or PCL	Pender Contracting Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 38017 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Pender Ville Limited or PVL	Pender Ville Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 36675 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Pendergardens	the mixed use residential and commercial development to be constructed on a site measuring 18,500m ² in Pender Place, St Andrew's Road, St Julians, part of which has already been completed as at the date of this Prospectus as detailed in Section 4.1.3 hereof;
Project or Phase II	<p>the construction and development of:</p> <ol style="list-style-type: none"> i. Block 16 - consisting of 46 residential apartments, 971m² of commercial space and 4 levels of underlying car park spaces; ii. Block 17 - comprising 2 floors of commercial space and a further 7 floors of residential apartments (43 units), 4 levels of underground car park spaces and an adjacent swimming pool at level 1; and iii. Towers I & II - consisting of an 18-floor tower and a 16-floor tower connected by a single common core. The first seven floors of both towers are earmarked for office space, whilst the remaining floors will be developed into residential apartments (30 units). Towers I & II will also include retail space at ground level and 4 levels of underlying car park spaces. <p>Phase II is described in further detail in Section 4.2 of this Registration Document;</p>
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Redemption Date	shall have the meaning set out in the Securities Note;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards to regulatory technical standards for publication of supplements to the Prospectus;

Secured Bond(s) or Bond(s)	the Series I Bonds and the Series II Bonds;
Securities Note	the securities note issued by the Issuer dated 5 May 2014, forming part of the Prospectus;
Security Trustee or Trustee	Equinox International Limited having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103;
Series I Bonds	the €15 million secured bonds due 2020 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 5.5% per annum, as detailed in the Securities Note;
Series II Bonds	the €27 million secured bonds due 2022 of a face value of €100 per bond, redeemable at their nominal value on the Redemption Date and bearing interest at the rate of 6% per annum, as detailed in the Securities Note;
Summary Note	the summary note issued by the Issuer dated 5 May 2014, forming part of the Prospectus.

2 RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY IT FROM TIME TO TIME. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1 Forward-looking statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial results, trading prospects and the ability of the Issuer to fulfill its obligations under the securities to be issued. Accordingly, the Issuer cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ

from those expressed or implied by such statements and no assurance is given that the future results or expectations will be achieved.

2.2 Risks relating to the Issuer

(i) The Issuer is subject to market and economic conditions generally

The Issuer is subject to the general market and economic risks that may have a significant impact on the Project, its timely completion and budgetary constraints. These include factors such as the state of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and other economic and social factors affecting demand for real estate generally. In the event that general economic conditions and property market conditions experience a downturn which is not contemplated in the Issuer's planning during the construction and completion of the Project, this shall have an adverse impact on the financial condition of the Issuer and its ability to meet its obligations under the Bonds.

(ii) The Issuer has a limited history of operations

The Issuer has a limited trading record and history of operations. It was set up in November 2012 specifically to undertake the construction and development of Block 16 and raised finance for the purpose of developing and completing Block 16, which is currently under construction. The Issuer is substantially a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to, the lack of financial stability and risks of delays in completion of the Project. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.

(iii) The property market is a very competitive market that can influence the sales of units in the Project

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Issuer operates and targets to sell the properties being developed, may cause sales of units forming part of the Project to sell at prices which are lower than is being anticipated by the Issuer or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances there is a delay in the tempo of sales envisaged by the Issuer, they could have a material adverse impact on the Issuer and its ability to repay the Bonds and interest thereon.

(iv) The Issuer depends on third parties in connection with its business, giving rise to counter party risks

The Issuer, through PCL, relies upon third party service providers such as architects, building contractors and suppliers for the construction and completion of the Project. PCL has engaged the services of third party contractors for the purpose of the development of the Project including excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Issuer's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Issuer's business, and its financial condition, results of operations and prospects.

(v) Material risks relating to real estate development may affect the economic performance and value of the property under development

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Issuer's control, and which could adversely affect the economic performance and value of the Issuer's real estate property under development. Such factors include:

- changes in general economic conditions in Malta;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an over-supply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- acts of nature, such as earthquakes and floods, that may damage the property or delay its development; and
- increased competition in the market segment in which the Issuer is undertaking the real estate development may lead to an over supply of commercial or residential properties in such markets, which could lead to a lowering of prices and

a corresponding reduction in revenue of the Issuer from the Project.

Any of the factors described above could have a material adverse effect on the Issuer's business, its respective financial condition and prospects and accordingly on the repayment of the Bond and interest thereon.

(vi) The Project relies on sales of units and garage spaces for completion

The Issuer makes reliance on the revenues that it expects to generate from the sale of a number of units and garage spaces forming part of the Project to be able to complete the development of the whole Project. If the proceeds from sales of units and/or garage spaces is not in line with expectations or if the proceeds from sales is lower than expectations the Issuer may be unable to complete the development of the whole Project, which could itself have a material adverse impact on the generation of sufficient cash by the Issuer to be able to re-pay the Bonds upon redemption.

(vii) The Issuer has a highly leveraged capital structure

The Issuer's capital structure is highly dependant on debt financing through the Bonds. This could have an adverse effect on the financial condition of the Issuer and prospects of the Project if sales of units and/or garages were to slow down below the current expectations of the Issuer or where the price of real-estate at which the Issuer expects to sell units and garage spaces are materially lower than the projected prices expected by the Issuer.

(viii) The Issuer may be exposed to environmental liabilities attaching to real estate property

The Issuer may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Issuer may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on its business, financial condition and results of operations.

(ix) Property valuations may not reflect actual market values

The valuations referred to in the Prospectus are prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

3 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS

As at the date of this Registration Document, the Board of Directors of the Issuer is constituted as follows:

3.1 Directors and Company Secretary

Edmund Gatt Baldacchino	Chairman
Edward Licari	Deputy Chairman
John Attard	Non-Executive Director
Philip Farrugia	Independent Non-Executive Director
Joseph FX Zahra	Independent Non-Executive Director
Massimo Vella LL.D	Company Secretary

The business address of the Directors and Company Secretary is 1001, Pendergardens, St Andrews Road, St Julians STJ 9023, Malta.

THE DIRECTORS ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

The persons listed under the sub-heading “**Advisors**” have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.2 Senior Management

As at the date of this Prospectus the Issuer has no employees. The Issuer is therefore reliant on the resources which are made available to it by its parent company, PVL, including the services of its senior management, whose names and responsibilities are set out hereunder:

Peter Diacono	Chief Executive Officer
Robert Darmanin	Financial Controller
Michael De Maria	Sales & Marketing Manager
Ernest Debono	Cost Manager & Quantity Surveyor

3.3 Advisors

Legal Counsel to the Sponsor & Manager

Name: Camilleri Preziosi
Address: Level 3, Valletta Buildings, South Street,
Valletta VLT 1103 - MALTA

Legal Counsel to the Issuer

Name: Vella Zammit McKeon
Address: 43E, St Paul’s Buildings, West Street,
Valletta VLT 1532 - MALTA

Financial Advisors

Name: PricewaterhouseCoopers
Address: 78, Mill Street,
Qormi QRM 3101 - MALTA

Sponsor & Manager

Name: Charts Investment Management Service Limited
Address: Valletta Waterfront, Vault 17, Pinto Wharf,
Floriana FRN 1913 – MALTA

Registrar

Name: Malta Stock Exchange plc
Address: Garrison Chapel, Castille Place,
Valletta VLT 1063 - MALTA

3.4 Auditors

Name: PricewaterhouseCoopers
Address: 78, Mill Street,
Qormi QRM 3101 - MALTA

The financial statements of the Issuer for the period 5 November 2012, being the date of incorporation, to 31 December 2013 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the Laws of Malta).

3.5 Security Trustee

Name: Equinox International Limited
Address: 9, Level 2, Valletta Buildings, South Street,
Valletta VLT 1103 - MALTA

4 INFORMATION ABOUT THE ISSUER

4.1 Historical Development

4.1.1 Introduction

Full Legal and Commercial Name of the Issuer:	Pendergardens Developments p.l.c.
Registered Address:	GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 58098
Date of Registration:	5 November 2012
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone Number:	+356 2248 8600
Fax:	+356 2138 1441
Email:	info@penderville.com
Website:	http://www.pendergardens.com

The principal object of the Issuer is to acquire and develop real estate properties. At present, the Issuer is involved in the construction and development of Phase II of the Pendergardens project. This second phase commenced in January 2013 with Block 16 and the construction thereof will be completed by mid-2015. In the third quarter of 2014, the Issuer will initiate development of Block 17 and Tower I & II, and both properties will be built over a four-year period.

4.1.2 Overview of the Issuer's business

In January 2013, the Company acquired from PVL a parcel of land known as Block 16 measuring 1,379m², and entered into a fixed price contract with PCL for the development of the said property. The transactions are described in further detail in Section 8 under the heading "**Related party transactions**".

In addition to the commencement of construction of Block 16, the Company has entered into a number of preliminary agreements for the sale of units as outlined in Section 4.2.8 under the heading "**Proceeds from sales and leases**".

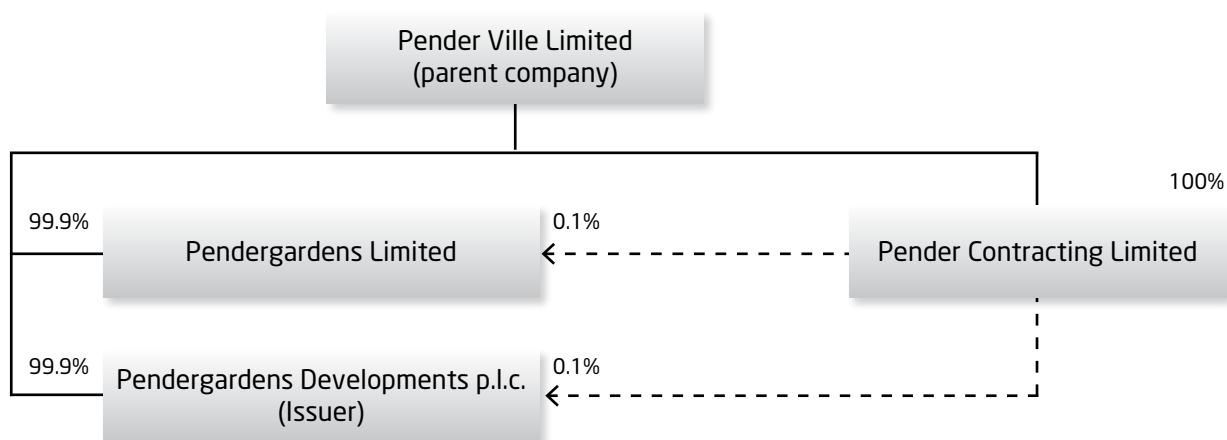
In February 2013, the Company issued €12 million 7% Secured Notes of a nominal value of €1,000 each, redeemable at par between 2015 and 2019. Interest on the Notes is due and payable annually in arrears on 14 January of each year. The net proceeds are being used for the development of Block 16.

On 30 April 2014, the Company entered into (i) a preliminary agreement with PVL to acquire from PVL the remaining portion of land within Phase II measuring 3,217m², over which it plans to develop and construct the New Developments; and (ii) a novation agreement with PVL and PCL pursuant to which it undertook to settle payment of works in progress executed by PCL on the said

site. The Issuer has also entered into a fixed price contract with PCL for the development of Block 17 and Towers I & II. The said transactions are described in further detail in Section 8 under the heading “**Related Party Transactions**”.

Save for the above, the Company has no other trading history.

4.1.3 Group organisational structure



PENDER VILLE LIMITED ('PVL')

PVL is a private limited company incorporated, registered and operating in Malta under the Act, with registration number C 36675 and whose registered office is at GB Buildings, Watar Street, Ta'Xbiex XBX 1301, Malta. It has an authorised share capital of €11,646,867 (eleven million six hundred forty six thousand eight hundred and sixty seven euro) divided into 5,000,000 (five million) ordinary shares of €2.329373 (two point three two nine three seven three euro) and an issued share capital of €10,092,606 (ten million ninety two thousand six hundred and six euro) divided into 4,332,756 (four million three hundred and thirty two thousand seven hundred and fifty six) ordinary shares of €2.329373 (two point three two nine three seven three euro), of which, €9,434,421 (nine million four hundred thirty four thousand four hundred and twenty one euro) is paid up. The company was set up on 22 July 2005 by a consortium of investors to acquire and develop the Pender Place site (18,500m²) (“**Pendergardens**”) and the Mercury House site (8,500m²) (“**The Exchange**”) located in St Julians, marked as bold on site plan included hereunder. The whole project has in July 2012 been granted full development permits by the Malta Environment and Planning Authority (MEPA).



Site Plan

Pendergardens, which has a Special Designated Area status, is being developed in two phases. The first phase has been completed and includes 150 residential apartments spread over 6 blocks (Blocks 10 to 15) together with 406 car park spaces (“Phase I”). As at the date of this Prospectus, 149 apartments and 183 car park spaces have been sold over a six year period to a mix of Maltese residents (46%) and foreigners (EU nationals – 43%, non-EU nationals – 11%). The remaining one apartment was not placed on the market due to its proximity to the next phase of development and will therefore be offered for sale once Towers I & II are finalised. The apartment is currently being used as offices by PVL. Phase II of Pendergardens will include the development of (i) Block 16 having a gross floor area measuring *circa* 16,404m² and consisting of 46 residential apartments, double height commercial space (971m² with a potential to be increased to 1,336m²) and four levels of underlying car park; (ii) Block 17 having a gross floor area measuring *circa* 20,771m² and consisting of 43 residential apartments, commercial space (5,853m²) and underlying car park; and (iii) Towers I & II comprising a gross floor area measuring *circa* 22,684m², and which will offer 30 residential apartments and 8,784m² of office and retail space.

Following the completion of Phase I, management has turned focus on Phase II commencing with the development of Block 16. On 11 December 2012, the directors of PVL approved the transfer of a parcel of land measuring 1,379m² to the Issuer for the purpose of developing Block 16. Funding for developing the said property was raised in February 2013 through a debt issuance of €12million pursuant to a prospectus dated 6 February 2013. Subject to the execution of the Bond Offer, a further parcel of land measuring 3,217m² will be transferred from PVL to the Issuer to enable the latter to initiate development of Block 17 and Towers I & II.

The Exchange is earmarked for commercial use and will be promoted as a financial and business centre. It will consist of 16,700m² of office space within two towers and 10,800m² of retail and leisure outlets fronting a large public piazza. Car park spaces, numbering *circa* 476, will be available in the underground levels with direct vertical access to the offices and outlets. In 2009, an area measuring 950m² was sold to FIMBank plc, an international trade finance bank listed on the Malta Stock Exchange. Construction works were completed by PCL in September 2011 and the bank transferred its operations to the new premises in June 2012.

PENDER CONTRACTING LIMITED (‘PCL’)

PCL is a private limited company incorporated, registered and operating in Malta under the Act, with registration number C 38017 and whose registered office is at GB Buildings, Watar Street, Ta’ Xbiex XBX 1301, Malta. It has an authorised and issued share capital of €23,293.73 (twenty three thousand two hundred ninety three euro and seventy three cents) divided into 10,000 (ten thousand) ordinary shares of €2.329373 (two point three two nine three seven three euro), fully paid up. The company was set up on 17 February 2006 principally to act as PVL’s main contractor to execute the construction and development of Pendergardens and The Exchange.

Pursuant to an agreement entered into by and between the Issuer and PCL on 22 January 2013, PCL has been engaged by the Issuer to construct, develop and finalise Block 16 in accordance with the specifications agreed upon between the Issuer and PCL. The contract of works, which is based on the FIDIC conditions of contract for Plant and DesignBuild, First Edition 1999, with modifications to ensure price certainty, provides for PCL to construct, finish and handover Block 16 in accordance with the milestone dates, programme, and specifications annexed to the said contract. Furthermore the contract price, exclusive of VAT, of €10,019,000 (ten million nineteen thousand euro) is a fixed price and PCL guarantees that any cost overruns will be for its own account.

A second agreement has been entered into by and between the Issuer and PCL on 30 April 2014, whereby PCL will be engaged by the Issuer, to construct, develop and finalise Block 17 and Towers I & II in accordance with the specifications agreed upon between the Issuer and PCL. The contract of works, which is based on the FIDIC conditions of contract for EPC/Turnkey Projects, with modifications to ensure price certainty, provides for PCL to construct, finish and handover the New Developments in accordance with the projected completion date, and specifications annexed to the said contract. Furthermore, the contract price of €35,847,000 (thirty five million eight hundred and forty seven thousand euro) is a fixed price and PCL guarantees that any cost overruns will be for its own account.

Each of the above-mentioned contracts also allows for daily delay penalties and for the waiver of the contractor’s special privilege and special hypothec. The said waiver of special privilege and special hypothec will be registered by way of public deed.

PENDERGARDENS LIMITED

Pendergardens Limited is a private limited company incorporated, registered and operating in Malta under the Act, with registration number C 41880 and whose registered office is at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta. It has an authorised and issued share capital of €1,514,092.45 (one million five hundred and fourteen thousand ninety two euro and forty five cents) divided into 650,000 (six hundred and fifty thousand) ordinary shares of €2.329373 (two point three two nine three seven three euro), fully paid up. The company was set up on 17 July 2007 and owns a portion of land measuring *circa* 4,300m² forming part of Pendergardens. The said site is intended for the development of 15 detached and semi-detached villas.

PENDERGARDENS DEVELOPMENTS PLC (THE 'ISSUER')

The Issuer is a wholly-owned subsidiary of PVL which was established on 5 November 2012, principally to raise funding through debt issuances and thereafter to develop Phase II. The Company has an authorised and issued share capital of €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 each, fully paid up. PVL holds 3,295,959 (three million two hundred and ninety five thousand nine hundred and fifty nine) ordinary shares of €1 each, and PCL holds 4,041 (four thousand and forty one) ordinary shares of €1 each. Following the Bond Issue and upon finalisation of the transactions described in section 8 of this Registration Document, the Company's issued share capital shall be increased by an additional €5,779,000 (five million seven hundred and seventy nine thousand euro), to a total issued share capital of €9,079,000 (nine million and seventy nine thousand euro).

4.2 The Project

4.2.1 Market situation

The real estate market in Malta remains a very competitive one, particularly in the context of existing and projected developments in the Sliema and St Julians area. Pendergardens faces strong competition from various existing as well as prospective developments, including similar mixed-use projects located in the same captive area and elsewhere in Malta. Competition is strong in each market segment whether it is for residential units, offices or retail space.

The high levels of supply in the residential property market, which was not met with a corresponding growth in demand, has in recent years brought about a level of stagnation and lack of growth in the market. Notwithstanding this challenging environment, the Directors believe that there are signs of recovery in the market and that the demand for middle to higher-end properties is sustainable even in the current market dynamics.

The Pendergardens product distinguishes itself in the market by combining a number of unique features - a modern and contemporary lifestyle based on quality and generous living spaces, with the convenience of being located close to various amenities and within walking distance of Spinola and St George's Bay. The sales initiatives undertaken so far on Block 16, as it is still in its construction phase and due for completion in the second quarter of 2015, has been encouraging, with 52 per cent of residential units already the subject of preliminary agreements having a total value of €6.9 million when final deeds of sale and purchase are completed.

4.2.2 Permits

Phase II is covered by two applications submitted to the Malta Environment & Planning Authority (MEPA), numbered PA6137/07 and PA4269/07, which were sanctioned for full development on 2 February 2012 and 31 July 2012 respectively. Further detail on the MEPA applications and approvals thereof is provided in Annex I of this Registration Document under the heading "**Architect's Valuations**".

4.2.3 Phase II - Block 16

Block 16 comprises a footprint of 1,379m² and a gross floor area measuring approximately 16,404m². The property is situated on St Andrew's Road, St Julians and its frontage will include double height commercial space. Above the retail area, it is planned to construct 46 apartments, of which 16 are duplex units and 2 are 3-bedroomed duplex penthouses. Furthermore, Block 16 will include 4 levels of underlying car spaces. Works on this site commenced in January 2013 and should be completed by mid-2015.

Phase II - Block 16 Residential	No. of Units	%
1-bedroom unit	10	22
2-bedroom unit	16	35
2-bedroom duplex unit	2	4
3-bedroom duplex penthouse	2	4
3-bedroom duplex unit	14	31
3-bedroom penthouse	2	4
	-----	-----
	46	100
	=====	=====

Block 16 will, in addition to the residential units, comprise *circa* 971m² of retail area. The commercial area will be split into a number of retail outlets depending on the requirements and specifications of prospective tenants.

The residential apartments being developed in Block 16 will be delivered and sold in a finished and complete state and will include electrical, plumbing, telephone, data and air conditioning installations points, intelligent lighting system, gypsum plastering, floor tiles and bathrooms, including sanitary ware and accessories, external apertures (in double glazed aluminium) and the internal doors. The level of finishes will be higher than those of Phase I units and a notable upgrade will be the option to connect to a LPG infrastructure for a more efficient and environmentally cleaner energy source for cooking and water heating.

As at the date of this Registration Document, civil works on the underlying car park, the commercial units and the apartments at Level 0 to Level 2 (out of 9 levels) are complete. Construction on the remaining floors is ongoing, and mechanical & electrical installations have commenced.

4.2.4 Phase II - Block 17

Block 17 will, when completed, comprise 43 residential apartments distributed on 7 floors, an outside communal pool and surrounding deck on the first level and 4 underground levels of car spaces. The initial 2 levels, below the apartments, are earmarked for commercial and office use. The property is adjacent to Towers I & II and has a footprint of *circa* 1,926m² and a gross floor area measuring approximately 20,771m². Development on this site is expected to commence in the first quarter of 2015 and should be completed by mid-2018.

Phase II - Block 17 Residential	No. of Units	%
1-bedroom unit	20	46
2-bedroom unit	21	49
3-bedroom duplex penthouse	2	5
	-----	-----
	43	100
	=====	=====

The commercial area at Block 17 will consist of a gross floor area of 5,853m².

The residential apartments at Block 17 will be completed to a finished state, similar to the Block 16 apartments as set out in Section 4.2.3 above.

4.2.5 Phase II - Towers I & II

Towers I & II will comprise the development of an 18-storey property having a footprint of *circa* 1,291m² and a gross floor area measuring approximately 22,684m². The site is situated on St Andrew's Road, St Julians and will be the final property to be developed to complete the Pendergardens project. Towers I & II will include 8 floors of commercial and office space (*circa* 8,784m²), and a further 10 floors of residential apartments. The offices and apartments will be segregated internally and will therefore have different lobby areas and separate elevators. The property will also have 4 levels of underlying car spaces, which will form part of the car park areas beneath Blocks 16 and 17, providing in aggregate 280 car parking spaces. Construction on this site is expected to commence in the third quarter of 2014 and should be completed by mid-2018.

Phase II - Towers I & II Residential	No. of Units	%
2-bedroom unit	28	93
3-bedroom duplex penthouse	2	7
	-----	-----
	30	100
	=====	=====

Towers I & II is envisaged to be the flagship property at Pendergardens aimed at a higher market segment with a level of finish that is superior to other parts of the development. The commercial, retail and office areas will be delivered with all common and external areas finished to a very high level and all utility infrastructures delivered to each floor. The internal areas will be left in shell form so as to allow prospective tenants to complete to their specific requirements. The developer will be offering its services to finish these areas to clients' requirements at an added cost. Generators will deliver back-up power for essential services to the apartments and offices in the event of grid power failure.

4.2.6 Phase II development expenditure

The overall cost of constructing and developing Phase II is expected to amount to €45.87 million as detailed below:

	€'000
Block 16	
Payments made to 31 December 201	3,602
Payments to completion	6,418

Total cost of Block 16	10,019

Block 17 and Towers I & II	
Fixed price agreement	35,847

Total cost of Block 17 and Towers I & II	35,847

Total cost of Phase II (excluding VAT)	45,866
	=====

4.2.7 Pricing and sales strategy

The Directors have devised a pricing strategy for Phase II apartments based on the experience and knowledge acquired from sales of units in Phase I. PVL commenced marketing the Pendergardens apartments and car park spaces in 2007 and by 2012 had sold 149 units. Sales tempo over the aforesaid six year period, except for 2009, was broadly in line with management's expectations. In the first two years of launch *circa* 45% of total units were sold, but declined significantly in 2009 in the midst of the global economic crisis. During the last three years (2010 – 2012), there was a substantial increase in demand for units at Pendergardens and as a result the remaining units (44% of total complement) were all sold.

In order to maintain interest in its apartments, the Group has established a very competitive pricing strategy for Block 16 units with a similar price range as previously established for Phase I. A typical 3 bedroom duplex apartment is priced at *circa* €450,000 (four hundred and fifty thousand euro) and the average price per unit amounts to *circa* €367,000 (three hundred and sixty seven thousand euro). As to commercial outlets, Block 16 has available 971m² of retail area which could be split as required by prospective purchasers.

It is the intention of the Company to initiate marketing Block 17 and Towers I & II once construction works commence on the respective properties. The sales campaign will take place in a staggered manner so as to maximise potential revenue, and will be done through a number of estate agents in Malta as well as through the Company's sales office and website www.pendergardens.com

Pricing of Towers I & II apartments will be reflective of the extensive sea views that the property commands and the premium level of finishes of the apartments. As to the initial 8 floors of the said property, which is earmarked for commercial activity, the Company's primary objective will be to dispose of available commercial and office space, and will be priced broadly in line with similar offerings in the area. In the interim period, until the said commercial and office space is eventually sold, the Company plans to offer the premises on a lease basis.

4.2.8 Proceeds from sales and leases

The following table illustrates the projected proceeds from sales and leases of units, net of applicable commissions, generated from Phase II.

PHASE II	2014	2015	2016-22	Total
Proceeds from sales and leases	€'000	€'000	€'000	€'000
Apartments & car spaces ¹	1,062	8,466	41,444	50,972
Commercial area & car spaces	-	-	33,266	33,266
Total proceeds from sales (net of commissions)	1,062	8,466	74,710	84,238
Commercial leases	-	-	5,658	5,658
Total proceeds (net of commissions)	1,062	8,466	80,368	89,896

¹ As at 31 December 2013 the Company received net proceeds of €0.7 million in relation to preliminary sale agreements.

The Issuer commenced its marketing campaign on Block 16 in the last quarter of 2012 and as at the date of the Prospectus has already entered into preliminary sale agreements for 24 units equivalent to final sales proceeds of €6.9 million (six million and nine hundred thousand euro). Sales proceeds are expected to increase over the course of development of Phase II and are expected to peak in 2018 and 2019 as Block 17 and Towers I & II are placed on the market.

4.2.9 Completion of Phase II

The program of development works relating to Phase II is expected to be completed in the first semester of 2018 and is expected to result in a cash investment in the region of €64 million. This estimate includes all direct construction costs, making due allowance for inflation and contingencies, together with all indirect costs and overheads that are necessarily expected to be incurred to complete Phase II.

A breakdown of estimated development expenditure to complete Phase II and expected funding sources thereof is provided below:

Completion of Phase II	€'000
Expenditure programme	
Cash consideration paid on acquisition of land from PVL	(8,953)
Fixed price contracts: Block 16 (payments to completion)	(6,418)
Fixed price contracts: Block 17 and Towers I & II	(35,847)
Non refundable VAT on development costs (in development phase)	(4,754)
Net finance costs in construction period (2014-17)	(7,329)
Operating expenses in construction period (2014-17)	(297)

Total estimated cash outflows to completion of Phase II	(63,598)
	=====

4.3 Security, Release of Security and Reserve Account

4.3.1 Creating the Security

The Existing Note is secured by a general hypothec over all the Issuer's assets present and future as well as a special hypothec over Block 16 in favour of the Existing Note Trustee for the benefit of the Existing Note investors and participants in the Existing Note. The Issuer has already given notice to the Existing Note Trustee, as required under the terms of issue of the Existing Note that subject to the raising of the Series I Bond and the Series II Bond it shall redeem such part of the Global Note that is not surrendered in exchange for either Series I Bonds or Series II Bonds on 14 January 2015.

Agreement has been reached between the Issuer and the Existing Note Trustee for the latter to receive out of the proceeds of the Series I Bond and the Series II Bond an amount equivalent to the sum of (i) the principal amount remaining outstanding on the Existing Note following the exchange of the Existing Note for Series I and Series II Bonds; and (ii) interest accrued from the last interest payment date on the Existing Note up to and including 14 January 2015 – that is the first early redemption date of the Existing Note. Upon receipt of this amount, which the Existing Note Trustee shall hold and utilise to repay the outstanding amount of the Existing Note on 14 January 2015, the Existing Note Trustee shall then release the security interests and cancel the general hypothec against the Issuer and the special hypothec over Block 16.

Agreement has also been reached between PVL and Bank of Valletta p.l.c. ("**BOV**") for the latter to waive all hypothecary rights registered in its favour as security for advances made available to PVL. The hypothecary rights are registered over each of Block 17 and Towers I & II. The release and waiver of the hypothecary rights arising in favour of BOV shall take place after the Bond Issue and upon receipt by BOV of the amount of €5 million. Out of the proceeds of the Bond Issue the Issuer shall pay to PVL the consideration due for the acquisition of the land, which PVL shall pay directly to BOV.

Following the above, the Issuer shall have no hypothecs registered against it or its property and shall thereafter be in a position to constitute the appropriate security in favour of the Security Trustee for the purpose of securing the Series I Bond and the Series II Bond in accordance with this Prospectus.

4.3.1.1 Dynamics for Closing

Following the close of the Offer Period and conditional allocations made by the Registrar all proceeds shall be transferred to the Security Trustee who shall hold same in trust for the benefit of Bondholders and, save for the payment of the expenses related to the Bond Issue, shall retain all remaining Bond proceeds until all security for the benefit of Bondholders has been duly constituted in its favour. It is expected that within 15 Business Days from the close of the Offer Period and following the conditional allocation of the Bonds, the Issuer shall enter into a public deed with PVL, whereby PVL shall sell, transfer and convey unto the Issuer the lands over which each of Block 17 and Towers I & II shall be constructed and developed on the same terms and conditions contained in the promise of sale agreement. The Security Trustee shall appear on that deed for the purpose of:

- (i) Ensuring that the Issuer obtains legal title to the site of the New Developments;
- (ii) Releasing in favour of PVL the cash amount of the purchase consideration, and to PCL the cash amount of the consideration for the works in progress and improvements to the site, amounting in total to €8.95 million. It is expected that the deed will contemplate that PVL will delegate the Security Trustee to pay the amount of €5 million directly to BOV on behalf of PVL;
- (iii) Upon receipt of the payment mentioned in (i) above, BOV shall waive its general hypothecary rights as well as all its special hypothecs over the site of the New Developments;
- (iv) Obtains from the Issuer the Security Interests.

Following registration of the notarial deed described above and the presentation to the Security Trustee of the appropriate notes of privilege and hypothec, and the subsequent admission of the Bonds to trading on the Malta Stock Exchange, the Bonds shall be issued and unconditionally allocated to investors, whereupon the Security Trustee shall release the remaining proceeds of the Bond Issues to the Issuer.

4.3.1.2 Status of the Security Interests

As at the date of this Registration Document the Security Interests have not been constituted. The Bonds shall only be issued and allotted following the satisfaction of the two conditions precedent, namely (i) the constitution in favour of the Security Trustee of the Security Interests; and (ii) the admission of the Bonds, as and when issued, to trading on the Malta Stock Exchange.

Pursuant to the Trust Deed, the Issuer has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as Beneficiaries, *inter alia* a special hypothec over the Hypothecated Property and a general hypothec over all its assets, present and future.

The hypothec will secure the claim of the Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Secured Bonds by a preferred claim over the Hypothecated Property. In addition, the general hypothec will also grant to the Trustee, as additional and further security for the repayment of the Secured Bonds, a preferred and prior ranking claim over all the assets present and future of the Issuer.

Accordingly, following the issue and allotment of the Series I and Series II Bonds and application of the proceeds as set out above, the Security Trustee for the benefit of the beneficiaries will have the benefit of a special hypothec over the Hypothecated Property for the full amount of €42 million (forty two million euro) and interests thereon in addition to the general hypothec over all the assets, present and future of the Company for the full amount of €42 million (forty two million euro).

Furthermore, PCL being the principal contractor engaged to construct and develop the Project has undertaken to waive its right to inscribe a special privilege in its favour until such time that the indebtedness represented by the Secured Bonds and secured by the hypothecs granted in favour of the Security Trustee has been settled and repaid in full.

The Bonds shall not be issued and allotted and accordingly no funds will be released to the Issuer before the Security Trustee is satisfied that the Security Interests have been duly constituted in its favour.

4.3.2 Releasing Security and the Reserve Account

4.3.2.1 All sales of residential units, commercial areas and garage spaces within the Project shall be made on the basis that units are released of all hypothecary rights and privileges encumbering the units being sold as security for the repayment of the Bonds. For this purpose, and save for what is stated below with respect to the first €25 million in sales proceeds, the

Security Trustee is empowered, pursuant to the Trust Deed, to release individual units of the Hypothecated Property from the Security Interest encumbering such unit/s and garage space/s upon receipt by it from the Company or from a prospective purchaser of a fixed percentage of the purchase price of units and garage spaces, as described below.

4.3.2.2 For this purpose the Security Trustee and the Issuer have agreed:

- (i) in each of the years 2016 and 2017, the Issuer shall transfer to the Reserve Account the higher of the sum of €100,000 or in the event that the threshold mentioned in section 4.3.2.4 B below has been reached or exceeded in either of those years, the amounts payable under section 4.3.2.4 shall be paid into the Reserve Account; and
- (ii) in any event when the threshold of €25 million set out in section 4.3.2.4 B has been reached or exceeded there shall be transferred into the Reserve Account a fixed allocation of the sales proceeds from each unit (whether commercial or residential) and garage space, and it is only upon receipt by the Trustee of such an amount that the Trustee shall be bound to release a particular residential or commercial unit or garage space from the effects of any Security Interest encumbering the Hypothecated Property. This is intended to ensure, save for amounts required by the Issuer for the completion of the Project, that the security created for the interest of Bondholders is only reduced against a cash payment made by the Issuer to the credit of the Reserve Account to be held by the Security Trustee for the benefit of Bondholders. The funds so received by the Trustee shall be held by it under trust in a segregated bank account with a licensed credit institution in Malta for the benefit of the Bondholders and shall be so held with a view to meeting the redemption of the Secured Bonds on their respective dates of maturity (“**Maturity Date**”) or otherwise for the Issuer to re-purchase Secured Bonds in the market for cancellation. Any shortfall in the amount receivable by the Security Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

4.3.2.3 The proceeds from the sale of a unit or garage space can be classified under two heads:

- (i) The deposit paid by a buyer on account of the purchase consideration which shall not exceed 10% of the gross sale price of that unit or garage space (the “**Payment on Account**”); and
- (ii) The outstanding balance of the purchase consideration, after deducting commissions payable by the Issuer (and VAT on commissions) and provisional tax on the full sales price (the “**Net Balance of Price**”).

4.3.2.4 Pursuant to the Trust Deed allocations of sales proceeds shall be made as follows:

- A. Sales proceeds equivalent to the first €25 million consisting of Payments on Account and Net Balance of Price shall be fully allocated to the Issuer for the specific purpose of meeting construction and development costs with respect to Block 17 and Towers I & II.
- B. Sales Proceeds equivalent to the next following €25 million shall be allocated as follows:
 - (i) All Payments on Account shall be allocated to the Issuer; and
 - (ii) The Net Balance of Price shall be allocated as to 90% to the Trustee and 10% to the Issuer;
- C. Sales Proceeds after the first €50 million outlined in paragraphs A and B above shall be allocated as follows:
 - (i) All Payments on Account shall be allocated to the Issuer; and
 - (ii) The Net Balance of Price shall be allocated as to 95% to the Trustee and 5% to the Issuer until such time as the Reserve Account has been fully funded.

The following example illustrates the allocation of sales proceeds, in the case mentioned in paragraph B above:

	€	Allocation to Issuer €	Allocation to Trustee €	Payment to Third Party €
Total sale amount	250,000			
Payment on account	25,000	25,000		
Balance of price	225,000			
	17,500			17,500
Provisional tax				
	14,750			14,750
Sales commission				
	192,750	19,275	173,475	
Net balance				
		-----	-----	-----
Total amounts receivable		44,275	173,475	32,250
		=====	=====	=====

The above is merely an example to illustrate the workings of the allocation of sales proceeds on the basis of the allocations set out in paragraph B above.

Irrespective of whether any sales proceeds have been received by the Issuer for each of the years 2016 and 2017, the Issuer shall still remain bound to transfer to the Reserve Account the amount of €100,000.

The Trustee shall hold the monies received in a Reserve Account and subject to the limitations set out in the preceding paragraph, and provided such limitations are adhered to, the Trustee, from time to time may, but shall not be obliged to, invest such monies in such a manner and in such instruments as are herein provided, namely:

- (i) Any amount out of the Reserve Account may be applied against the re-purchase of the Secured Bonds in the market; and/or
- (ii) Investment or re-investment in any debt securities issued by or guaranteed by the Government of Malta or other member state of the European Union or the EEA or by an OECD sovereign state, without any currency exchange risk;
- (iii) Subject to the limitations on amount set out below, to deposit with a Bank licensed as a credit institution in Malta or any Member State of the European Union, provided that not more than 50 per cent of any amount standing to the credit of the Reserve Account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €25 million;
- (iv) Amounts not exceeding €10 million may be invested in debt securities admitted to listing and trading on a Regulated market in the European Union, provided that not more than €2 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the Reserve Account to any currency exchange risk;
- (v) An amount not exceeding €2 million may be advanced to any member of the Group, under terms and conditions which are at arm's length, provided that the Reserve Account remains in credit by at least another €2 million following such advance.

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances the Directors are of the view that the percentages of sales proceeds allocated to the Security Trustee from available cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Secured Bonds on their respective Redemption Dates.

4.3.2.1 The Reserve Account - Projections

On the basis of the current projections of sales made by the Company and taking into account the requirements of cash for the completion of the Project, it is expected that, save for unforeseen circumstances, the Security Trustee shall start receiving funds in

the Reserve Account in the year 2018, when from 90% or 95% of the Net Balance of Price from sales contracts entered into in that year, it is expected to receive *circa* €8.3 million; followed by another €5.8 million in 2019; and €6 million in 2020. It is expected that following the redemption of the Series I Bond in 2020, the Security Trustee shall further receive *circa* €11.8 million in 2021 and an additional €9.1 million representing the Net Balance of Price on sales contracts entered into in those years.

It is the intention of the Company and Trustee to apply part of the funds standing to the credit of the Reserve Account to re-purchase Bonds in the market, thus reducing the total value of Bonds outstanding prior to the Bonds' respective Redemption Dates. The funds standing to the credit of the Reserve Account which are not utilised to re-purchase Bonds in the market shall be invested in line with the investment parameters set out in the Trust Deed and which are summarised above. Interest or other income from such investments will accrue to the credit of the Reserve Account.

Taking into account all of these factors including interest and other income receivable in the Reserve Account, without the re-purchase of Bonds in the market, the amount transferred to the Reserve Account over the life-time of the Bonds will be in the region of €41.2 million, which, in conjunction with the bank interest received on these amounts, should cover the redemption of the principal of the Series I Bond in 2020 and subsequently the redemption of the Series II Bond in 2022.

5 TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 Trend Information

There has been no material adverse change in the prospects of the Issuer since the date of publication of their latest audited financial statements.

The Issuer considers that generally it shall be subject to the normal business risks associated with the property market and barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on its upcoming prospects, at least up to the end of 2015.

The property market in Malta has been somewhat subdued in the last few years. Notwithstanding the softening of the property market, there is still active demand for owning property at Pendergardens, albeit at lower levels than at the height of the property market in 2007. The Directors are satisfied that their target of selling the full complement of units, which were placed on the market to date, has been achieved and are confident that demand for Blocks 16, 17 and Towers I & II will be equivalent. As at the date of this Registration Document, sales results for Block 16 have significantly exceeded targets set in the prospectus dated 6 February 2013 with 70% of targets set for the end of 2015 being already achieved by April 2014.

Management has acquired considerable knowledge from Phase I, not only from the construction and development perspective, but also from a prospective buyer's point of view. The Company's offerings will be based on this experience, and the units will therefore be finished to a higher quality standard than the previous blocks and will also incorporate new features such as the facility to connect to an LPG infrastructure to provide tenants a more efficient and environmentally cleaner energy source. Furthermore, since six blocks are now complete and tenants are residing at Pendergardens, a prospective investor can better appreciate the development generally, its piazza, landscaping and open spaces, and management thereof and the high quality of finishes of its apartments and common areas.

As to the commercial element, Block 16, 17 and Towers I & II will offer *circa* 15,973m² of gross commercial/retail/office area, which is expected to be appealing to prospective tenants and investors given that the frontage will be situated on a main arterial road and thereby offering maximum exposure. Moreover, the area enjoys a high level of activity as it is surrounded by a number of hotels (mostly in the five-star category), office blocks, including those to be developed at The Exchange Financial and Business Centre, and various retail, food and beverage outlets.

5.2 Key Financial Review

The financial information about the Issuer is included in the audited financial statements for the period 5 November 2012 (being the date of incorporation) to 31 December 2013. The said statements have been published and are available on the Issuer's website (<http://www.pendergardens.com>) and at its registered office. Set out overleaf are highlights taken from the audited financial statements of the Issuer for the period ended 31 December 2013.

Pendergardens Developments p.l.c.
Income Statement for the period 5 November 2012 to 31 December 2013

€

Administrative expenses	(26,042)
Net finance costs	(185)
Loss for the period	(26,227)

Pendergardens Developments p.l.c.
Balance Sheet as at 31 December 2013

€'000

ASSETS

Current assets	18,740
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EQUITY AND LIABILITIES

Equity	3,274
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Liabilities

Non-current liabilities	11,679
Current liabilities	3,787
Total liabilities	15,466

Total equity and liabilities	18,740
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Pendergardens Developments p.l.c.
Cash Flow Statement for the period 5 November 2012 to 31 December 2013

€'000

Net cash from operating activities	(3,387)
Net cash from financing activities	11,634
Net movement in cash and cash equivalents	(8,247)
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	(8,247)

The Company was incorporated on 5 November 2012 principally to develop and market Phase II of the Pendergardens project.

On 8 January 2013, the Company acquired from PVL a parcel of land, known as Block 16, for a total amount of €4,755,460 (four million seven hundred fifty five thousand four hundred and sixty euro). In consideration, the Company issued ordinary shares amounting to €3,294,460 (three million two hundred ninety four thousand four hundred and sixty euro) and transferred the balance of €1,461,000 (one million four hundred sixty one thousand euro) to a shareholder's loan account, which is unsecured and interest free. By 9 June 2014, PVL agreed to convert the shareholder's loan in ordinary shares of the Issuer.

Subsequent to the land acquisition, the Company entered into a fixed price contract with PCL for the construction and development of Block 16 for the total price of €10,019,000 (ten million and nineteen thousand euro). The Block 16 project is mainly funded by the proceeds from an issue of €12 million (twelve million euro) in debt securities pursuant to a prospectus dated 6 February 2013.

As at 31 December 2013, the underlying 4 levels of car parking space, the commercial units and the initial 2 floors of residential apartments were complete from civil works.

5.3 Investments

Since incorporation, the Company acquired a parcel of land, known as Block 16, at Pendergardens from its parent company PVL by means of a public deed dated 8 January 2013, and has entered into a preliminary agreement dated 30 April 2014 to acquire from PVL the remaining parcel of land within Phase II at Pendergardens to construct and develop Block 17 and Towers I & II. Phase II will be financed from the proceeds of the Secured Bonds and from internally generated cash flows.

Other than the above, the Company is not party to any principal investments, and has not entered into or committed for any principal investments.

6 MANAGEMENT

6.1 The Board of Directors

The Issuer is managed by a board of five directors entrusted with the overall direction and management of the Issuer. The Board currently consists of the Chairman as Executive Director, two Non-Executive Directors and two independent Non-Executive Directors. The business address of each Director is at 1001, Pendergardens, St Andrews Road, St Julians STJ 9023, Malta.

The Board of Directors is entrusted with the Company's day-to-day management, and is responsible for the execution of the Company's investments and the funding thereof, and the awarding of project contracts for the development of the Company's properties.

6.1.1 Curriculum vitae of Directors

The following are the directors of the Issuer and their respective curriculum vitae:

Edmund Gatt Baldacchino is co-owner, a director and Chief Executive Officer of United Group Limited, which is active in the automobile, real estate and retail sectors. He initiated and directed various expansions and diversification programs which resulted in the evolution of the United Group to its present level of development. He is also Chairman of PVL and all its subsidiaries, and also served on a number of Boards of various public entities.

Edward Licari is the co-owner and managing director of Combined Industries Ltd, a family run business involved in various investments since 1974. He directed an expansion and diversification programme within his own personal business which resulted in other sector specific involvements in both the manufacturing industry, as well as in retail operations. His experience ranges from a portfolio of past activities relating to various sectors, as well as through his various executive directorships in such commercial involvements. Edward Licari has a long affiliation with the real estate business dating back to 1974. He is deputy chairman of PVL, PCL and Pendergardens Limited. He is also currently an executive director of various companies involved in the construction and development of real estate projects, both residential and commercial, in Malta.

John Attard is a co-owner and director of Michael Attard Ltd, the sole agents and concessionaires of Peugeot and Citroen automobiles, besides others, for Malta. He has been a director of the company since 1983 and is involved in administration, sales and marketing. The company diversified in 2005, entering the real estate business. John Attard was appointed a director of PVL, PCL and Pendergardens Limited in 2007.

Philip Farrugia is a former senior bank executive. He joined Barclays Bank in 1969. Philip Farrugia was appointed director and senior manager of HSBC Home Loans (Malta) Ltd between 2000 and 2003. In 2011 he was appointed executive director, and chief technology and services officer of HSBC Bank Malta p.l.c. until his retirement in May 2012. During his employment with HSBC Bank Malta p.l.c. he sat on various senior bank committees. He is a non-executive director of HSBC Life Insurance (Malta) Limited and of HSBC Merchant Services Limited.

Joseph F.X. Zahra is an economist and founding partner and Managing Director of MISCO, the independent consulting group operating in Malta, Italy and Cyprus. He has a wealth of practical board experience gained from over many years of leading organisations in the private and government sectors in both an executive and non-executive director capacity. He has a long history of working effectively with chairs, directors and senior executives to improve corporate performance. He has been a consultant and board facilitator in the corporate world, for over 25 years guiding executives in changing the way they do business, using

new technologies and business models. He has addressed numerous seminars on industrial development, managerial economics, financial services and management all over Europe as well as in North America, consulting companies and organizations across a diverse range of industries and professions.

Mr. Zahra is a former director of the Central Bank of Malta and member of the Monetary Policy Council, former chairman of Bank of Valletta p.l.c., Maltacom p.l.c. and Middlesea Insurance p.l.c. as well as Chairman of the National Commission for Higher Education. In 2005 he was appointed by the Prime Minister of Malta as the Chairman of the National Euro Changeover Committee. In July 2013, Pope Francis appointed him President of the Commission for the reforms of the economic and administrative structures of the Holy See. He sits on a number of boards of directors of both private and listed companies operating in financial services, oil services, transportation and accommodation.

6.1.2 Directors' service contracts and remuneration

None of the Directors of the Issuer have a service contract with the Issuer.

In accordance with the Issuer's Articles of Association, the total emoluments payable to all Directors, whether as fees and/or salaries by virtue of holding employment with the Issuer, is subject to shareholder approval at general meeting.

Save for the independent Directors, none of the Directors will be receiving emoluments for the financial period ended 31 December 2013. The aggregate emoluments received by the independent Directors in that period amounted to €18,667 (eighteen thousand six hundred and sixty seven euro).

The Directors currently in office are expected to remain in office at least until the next Annual General Meeting.

6.1.3 Conflict of interest

Edmund Gatt Baldacchino, Edward Licari and John Attard are directors of the Issuer, its parent company PVL, and the contracting company PCL. Accordingly, conflicts of interest could potentially arise in relation to transactions involving the Issuer, PVL and PCL.

The audit committee of the Issuer, which is chaired by an independent Non-Executive Director, has the task of ensuring that any potential conflicts of interest that may arise at any moment, pursuant to these different roles held by Directors, are handled in the best interest of the Issuer and according to law. To the extent known or potentially known to the Issuer as at the date of this Registration Document, there are no other potential conflicts of interest between any duties of the Directors and of executive officers of the Issuer and their private interests and/or their other duties which require disclosure in terms of the Regulation.

6.1.4 Loans to Directors

There are no loans outstanding by the Issuer to any of its Directors nor any guarantees issued for their benefit by the Issuer.

6.1.5 Removal of Directors

A Director may, unless he resigns, be removed by the shareholder appointing him or by an ordinary resolution of the shareholders as provided in sections 139 and 140 of the Act.

6.1.6 Powers of Directors

By virtue of the Articles of Association of the Issuer, the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting. The powers of the Directors of the Issuer are better described in Section 13.2 below.

7 MANAGEMENT STRUCTURE

7.1 General

As at the date of this Prospectus the Issuer has no employees. The Issuer is therefore reliant on the resources which are made available to it by PVL, including the services of its senior management, whose names and responsibilities are set out hereunder:

Peter Diacono	Chief Executive Officer
Robert Darmanin	Financial Controller
Michael De Maria	Sales and Marketing Manager
Ernest Debono	Cost Manager and Quantity Surveyor

The Directors believe that the current organisational structure is adequate for the present activities of the Company. The Directors will maintain this structure under continuous review to ensure that it meets the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

7.2 Major Shareholders

The Issuer is a wholly owned subsidiary of PVL. In accordance with the Code of Corporate Governance, the Issuer adopts measures to ensure that the relationship with PVL is retained at arm's length, including adherence to Rules on Related Party Transactions requiring the sanction of the Audit Committee, in which the majority is constituted by independent Non-Executive Directors, of whom one shall also act as chairman.

The following Directors have an indirect interest in PVL:

Name of Directors	Number of shares held	Shareholding percentage in PVL
Edmund Gatt Baldacchino indirectly through United Group Ltd	1,000 ordinary shares of €2.329373 each, fully paid up 832,189 ordinary shares of €2.329373 each, 93.47069% paid up	19.23%
Edward Licari indirectly through Silverline Investments Ltd	1,000 ordinary shares of €2.329373 each, fully paid up 832,189 ordinary shares of €2.329373 each, 93.47069% paid up	19.23%
John Attard indirectly through MICJON Company Ltd	1,000 ordinary shares of €2.329373 each, fully paid up 499,000 ordinary shares of €2.329373 each, 93.46547% paid up	11.54%

8 RELATED PARTY TRANSACTIONS

The Company has on 8 January 2013 acquired from PVL a parcel of land measuring 1,379m² and located within Pendergardens (known as Block 16) for a total amount of €4,755,460 in consideration for the issue of €3,294,460 in ordinary shares of the Company by way of capitalisation of the shareholder's loan, and the balance of €1,461,000 payable on such shareholder's loan. By virtue of another agreement entered into on 30 April 2014 PVL and the Issuer agreed that the loan balance of €1,461,000 due to PVL shall also be discharged by the issue of ordinary shares to PVL in the Issuer through a capitalisation of the said shareholder's loan.

On 22 January 2013, the Company entered into a fixed price contract with PCL for the execution and completion of the civil works, finishes and overheads pertaining to the construction of Block 16 for the total price of €10,019,000, excluding VAT. Pursuant to this

contract the stipulated price cannot be amended. Furthermore PCL as the contractor agreed to waive the right to register a special privilege over the Block 16 land.

The Company has on 30 April 2014 entered into a preliminary agreement with PVL to acquire from PVL a parcel of land measuring 3,217m² and located within Pendergardens (known as Block 17 and Towers I & II), and a novation agreement with PVL and PCL pursuant to which it undertook to settle payment of works in progress executed by PCL on said site, for a total consideration of €13,271,127. The said amount shall be paid as to a cash amount of €4,894,969 payable out of the proceeds of the Bond Issue to PVL, with the balance of €4,318,000 being settled through the issue of ordinary shares in the Company. In addition the Company shall pay directly to PCL pursuant to the said novation agreement the amount of €4,058,158 out of the Bond Issue proceeds for works in progress on the site. The said transactions shall be executed within 15 Business Days following the completion of the Bond Offer.

Following the capitalisation of shareholder's loans and the partial discharge of the purchase consideration of the land within Pendergardens for the development of Block 17, Towers I & II, the Issuer shall have increased its issued share capital by €5,779,000.

On 30 April 2014, the Company has entered into a fixed price contract with PCL for the execution and completion of the civil works, finishes and overheads pertaining to the construction of Block 17 and Towers I & II for the total price of €35,847,000 excluding VAT, subject to the execution of the Bond Offer and the listing of the Secured Bonds on the Official List of the Malta Stock Exchange. Pursuant to this contract the stipulated price cannot be amended. Furthermore, pursuant to the said fixed price contract, PCL agreed to waive the right as contractor to register a special privilege over the Block 17 and Towers I & II land.

9 AUDIT COMMITTEE

The terms of reference of the Audit Committee consist of inter alia its support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of risk; control and governance; and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Briefly, the Committee is expected to deal with and advise the Board on:

- a. its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- b. maintaining communications on such matters between the Board, management and the independent auditors; and
- c. preserving the Company's assets by understanding the Company's risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

A majority of Directors sitting on the Audit Committee are of a non-executive capacity. Philip Farrugia acts as chairman, whilst Joseph FX Zahra and Edmund Gatt Baldacchino act as members. In compliance with the Listing Rules, Philip Farrugia is the independent Non-Executive Director who is competent in accounting and/or auditing matters having previously served in various senior positions in a financial institution.

10 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company is subject to, and supports, the Code of Principles of Good Corporate Governance (the "Code") forming part of the Listing Rules. The Board has taken such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Company, as follows:

- **Principle 1 & 4:** The Company is headed by an effective board, which is responsible for accountability, monitoring, strategy formulation and policy development;

- **Principle 2:** The roles of Chairman and Chief Executive are occupied by different individuals;
- **Principle 3:** The Board is composed of an Executive Director and 4 Non-Executive Directors, of which, 2 Directors are independent Non-Executive Directors. The implementation of the Board's decisions is entrusted to the senior management of PVL, the parent company of the Issuer;
- **Principle 5:** The Board of Directors aims to meet regularly and all Directors are given ample opportunity to discuss the agenda and convey their opinions;
- **Principle 6:** The Company does not have any employees and is therefore reliant on the senior management of PVL. The Chief Executive Officer of PVL ensures that Directors are provided with relevant information to enable them to effectively contribute to Board decisions.

Since inception, the Group has been engaged in the acquisition and development of the site over which Phase I has been developed and the site earmarked for the development of Phase II. The Group had originally acquired the site through PVL. Following the successful completion of Phase I, the Group established the Company as a public company and as the vehicle through which it raised debt finance for the development of Block 16 which forms an integral part of Phase II. All human resources of the Group, that were originally engaged by PVL remain employed by PVL, as the parent company, but all personnel are deployed by the Group in the development of the Project, which is currently the only project being undertaken by the Group. The Directors believe that this is simply an intra-group matter of human resources deployment and that in the circumstances where the only project being developed by the Group at this stage is Phase II – they have all the necessary assurances that senior management employed by PVL will be completely focused on this project. In addition, the Directors believe that through the involvement of the senior management of PVL, that is made available to the Company, there are benefits for the Company in terms of the experience and knowledge acquired by PVL's senior executives following the completion of Phase I. The Directors consider that the current organisational structure and intra-group arrangements for the deployment of senior management is adequate for the present activities of the Company. The Directors will maintain this structure under continuous review to ensure that it meets the changing demands of the business

- **Principle 7:** The Board of Directors performs a self-evaluation of its own performance and that of its committees on an annual basis, and the Board's performance is always under the scrutiny of the immediate and ultimate shareholders. The Board considers the present evaluation procedure to suffice and therefore does not consider it necessary to formalise the evaluation process through the setting up of an evaluation committee;
- **Principle 8:** The Board of Directors considers that the size and operation of the Company does not warrant the setting up of a nomination and remuneration committee. The Company does not have any employees, and therefore it is expected that the Company will not maintain a remuneration committee. Remuneration to the Board of Directors of the Company are determined by the shareholders of the Company in accordance with its Memorandum and Articles of Association. Also, the Company will not be incorporating a nomination committee. Appointments to the Board of Directors of the Company are determined by the shareholders of the Company in accordance with its Memorandum and Articles of Association;
- **Principle 9:** The Company is highly committed to having an open and communicative relationship with its bondholders and investors;
- **Principle 10:** The Company ensures that it is in constant contact with its principal institutional shareholders and bondholders;
- **Principle 11:** By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A Director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has a material interest;
- **Principle 12:** The Company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The Directors are also aware of the importance of having good relations with stakeholders and, through PVL, strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices.

Save for the instances of non-adherence to the Code which have been explained above, the Board is of the opinion that the Company is in compliance with the Code.

11 HISTORICAL INFORMATION

The historical financial information for the period 5 November 2012, being the date of incorporation, to 31 December 2013 as audited by PricewaterhouseCoopers are set out in the audited financial statements of the Issuer. Such financial statements are available on the Issuer's website www.pendergardens.com. There were no significant changes to the financial or trading position of the Issuer since the end of the financial period to which the last annual financial statements relate.

12 LITIGATION

There have not been governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve (12) months prior to the date of the Prospectus which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer.

13 ADDITIONAL INFORMATION

13.1 Share Capital

The authorised share capital of the Company is €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each.

The issued share capital of the Company is €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each, fully paid up and subscribed as follows:

Shareholder	Number of shares held
PVL	3,295,959
PCL	4,041

The authorised share capital of the Company may be increased by an ordinary resolution of the shareholders in a general meeting. In terms of the Company's Prospectus and Articles of Association none of the capital shall be issued in such a way as would effectively alter the control of the Company or nature of the business, without the prior approval of the Company in a general meeting.

The shares of the Company are not listed on the Malta Stock Exchange. Application has not been filed for the shares of the Company to be quoted on the Official List or the Alternative Companies List of the Malta Stock Exchange. The Directors of the Issuer have no intention of submitting an application for the admissibility of the Issuer's shares to listing and subsequent trading on the Malta Stock Exchange.

The Company was registered on 5 November 2012. Accordingly there is no capital of the Company, save for the capital issued on original subscription and the capitalisation of the shareholder's loan amounting to €3,294,460 (three million two hundred ninety four thousand four hundred and sixty euro) which has been issued during the two (2) years immediately preceding the publication of this Registration Document.

Pursuant to the execution of the Bond Offer, the Company will be increasing its issued share capital by a further €5,779,000 in fully paid up shares, including the capitalisation of an existing shareholder's loan of €1,461,000 and the part consideration for the acquisition of a parcel of land at Pendergardens known as Block 17 and Towers I & II. Further to these increases the Company's issued share capital will amount to €9,079,000.

There is no capital of the Company, which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Company is to be put under option.

13.2 Memorandum and Articles of Association

OBJECTS

The principal objects of the Issuer are: (i) to carry on the business of a finance, investment and property development company; (ii) to carry on the business of the financing or re-financing of the funding requirements of the business of the Group; (iii) to borrow and raise money for the purpose of its business and to secure the repayment of the money borrowed by hypothecation or other charge upon the whole or part of the movable and immovable assets or property of the Company, present or future; and (iv) to issue notes, bonds, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public. Clause 3 of the Memorandum of Association contains the full list of objects of the Issuer. A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer, on its website www.pendergardens.com and at the Registry of Companies of the Malta Financial Services Authority.

APPOINTMENT OF DIRECTORS

The Directors are appointed by the shareholders in terms of the Company's Articles of Association.

POWERS OF DIRECTORS

The Directors are vested with the management of the Company and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things as are not by the Memorandum and Articles of Association reserved for the Company in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit the Directors shall have the power to vote remuneration to themselves or any number of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the general meeting. The Directors may also vote that pensions, gratuities or allowances are to be granted on retirement to any director who has held any other salaried office with the Company or to his widow or dependents. However, any such proposal shall have to be approved by the shareholders in general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Company to borrow money and give security thereof, subject to the limitations established in the Articles of Association and the overriding authority of the shareholders in general meeting to change, amend, restrict and or otherwise modify such limitations and the Directors' borrowing powers.

There are no provisions in the Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

COMMISSIONS

There were no commissions, discounts, brokerages or other special terms granted during the two (2) years immediately preceding the publication of this document in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

13.3 Material Contracts

The Issuer has not entered into any material contracts that are not in the ordinary course of its business and which could result in any member thereof being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to

security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

13.4 Property Valuation Report

The Issuer commissioned Architect Aaron Abela B.E.&A.(Hons) to issue a property valuation report, in relation to Phase II. The following are the details of the said valuer:

Name:	Aaron Abela
Business address:	'Arken' Triq iz-Zonqor Marsaskala MSK 1019, Malta

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus. The valuation report is dated 31 March 2014.

A copy of the report compiled by Arch. Aaron Abela in respect of Phase II is annexed to this Registration Document as Annex I and is available for inspection as set out in Section 13.6 below.

13.5 Interests of Experts and Advisors

Save for the the property valuation report contained in Annex I to the Registration Document, and the financial analysis summary set out as Annex II to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The property valuation report and financial analysis summary have been included in the form and context in which they appear with the authorisation of Arch. Aaron Abela of 'Arken', Triq iz-Zonqor, Marsaskala MSK 1019, Malta and Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta respectively, which have given and have not withdrawn their consent to the inclusion of such reports herein. Arch. Aaron Abela and Charts Investment Management Service Limited do not have any material interest in the Issuer. The Issuer confirms that the property valuation report and financial analysis summary have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

13.6 Documents available for Inspection

For the duration period of this Registration Document the following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

- a. Memorandum and Articles of Association of the Issuer;
- b. Audited Financial Statements of the Issuer for the 14 month period ended 31 December 2013;
- c. The Letter of Confirmation drawn up by PricewaterhouseCoopers dated 5 May 2014;
- d. Financial Analysis Summary prepared by Charts Investment Management Service Limited dated 5 May 2014;
- e. The Agreement dated 30 April 2014 between the Issuer and PVL for the capitalisation of shareholder's loan;
- f. The Preliminary Agreement dated 30 April 2014 with PVL for the acquisition of land earmarked for the development of Block 17 and Towers I & II;
- g. The Novation Agreement dated 30 April 2014 with PVL and PCL for the settlement of work in progress executed on said site;
- h. The Agreement dated 22 January 2013 between the Issuer and PCL for the construction and development of Block 16 and another agreement dated 30 April 2014 between the Issuer and PCL for the development of Block 17 and Towers I & II;
- i. Property Valuation Report dated 31 March 2014 prepared by Arch. Aaron Abela in respect of Phase II; and
- j. The Trust Deed dated 30 April 2014.

These documents are also available for inspection in electronic form on the Issuer's website at www.pendergardens.com



Perit Aaron Abela B.E.&A(Hons)
Arken, Triq iz-Zonqor, Marsaskala, MSK 1019 Malta
arken@go.net.mt tel: 2163 3555 mob: 7963 9410
VAT reg. no. MT 1595 5707
Warrant no 424

31th March 2014

The Directors
Pendergardens Developments plc
Pender Place,
St. Andrew's Road
St. Julian's STJ 9023
Malta

Valuation Report – Undeveloped Immovable Property earmarked for the construction of Tower T1, Tower T2 and Block 17 and Immovable Property in course of development identified as Block 16 both forming part of Pendergardens Development in St Andrew's Road, St Julian's Malta, for the purposes of the proposed Bond Issue.

Introduction

In accordance with your instructions, the undersigned in the capacity of warranted architect and civil engineer has carried out a market evaluation of the above-mentioned property. This report is based on a visual inspection made on the 3th February 2014 and relates to the general state of the property as it is today and described below. It is not intended to read as, or substituted for a formal structural survey of the inspected property.

Basis of Valuation

It is understood that the purpose of the valuation report is for inclusion with the Prospectus to be published in connection with the proposed public bond issue. The valuation has been prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority.

The valuation has been carried out by the undersigned, as an external and independent valuer in terms of and with regards given to, the UK Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned will not benefit from the valuation instruction, other than the valuation fee.

The valuation was based on direct knowledge of the site, and its potential, as well as on such inspections and investigations as are, in the professional judgment of the undersigned, appropriate and possible in the circumstances. The valuation relies on

information provided by the Directors of Pendergardens Developments plc, and their professional advisers, as far as concerns tenures, privileges, charges and other related matters. The valuation is nevertheless based on the assumption that no harmful or hazardous materials lie on the present excavated site and that there is no contamination in or from the ground.

The market value is the amount that a property might be expected to realise, usually expressed in monetary terms, when it is offered for sale in an open market, for a reasonable period of time, by a willing seller, in order to enable the property to be brought to the attention of all or most potential and willing buyers and when the transaction is not affected by any special circumstances that might affect the buyer, the seller or the property. The best price that a property might reasonably be expected to realize if sold in the normal course of business, after allowing a reasonable time for exposure to potential buyers, and assuming that the buyer and seller are acting in their own best interests, have entered into the transaction without any element of compulsion or duress, and the buyer does not have any special relationship or obligation to the seller. The determination of market value is normally based on a set of assumptions, such as the type and condition of the property, the interest held, the nature and conditions prevalent in the market at the date of the valuation and the purpose of the valuation.

Pendergardens Development

Pender Ville Ltd was formed in 2005 by a consortium of local investors to acquire and develop the Pender Place site (18,500 square metres) and the old Mercury House site (8,500 square metres) in St Julian's. The consortium set up a senior management team that has considerable experience in property development and project management.

Part of the Pender Place site (4,300 square metres) was sold in 2008 and repurchased by the Pender Group in 2013. In 2009, part of Mercury House site (950 square metres) was sold to FIM-Bank plc, a trade finance bank, as their global headquarters. This transaction formed part of the company's strategy to position The Exchange as a key finance and business centre. The remaining areas within the sites have now been respectively branded 'Pendergardens' and 'The Exchange – Financial Business Centre'. So the property development area at Pendergardens includes a residential development whereas The Exchange will focus solely on commercial activity.

The Government clearly outlined the parameters for developing these sites in the project's Development Brief. The Malta Environment and Planning Authority (MEPA) granted an Outline Development permit for the whole property development. The full development permit for the demolition and excavation of both sites and for the construction of Pendergardens Phase One was issued in 2007.

Phase 1 of this development which included exclusively residential units and car parking facilities have been successfully complete and sold out. Selling prices met predicted prices and properties were acquired by both local and foreign buyers from seventeen different countries (46.3% Local 53.7% Foreign). These have been sold primarily as a rental investment (43.6%), for direct residential purposes (38.9%) and as direct investment (17.5%). In a recent survey conducted by a local Real Estate Agency, Pendergardens classified first place compared to other SDAs' yield on investment in the

residential rental market with an expected annual return of 5% on one bedroom apartments and of 6% on two and three bedroom apartments.

Block 16 (part of Phase 2) is in construction stage and half of the shell has already been erected as can be seen in the following Photo. In February 2013, Pendergardens Developments p.l.c. issued twelve million Euros (€12,000,000) 7% Secured Notes of a nominal value of €1,000 per Note, redeemable at par between 2015 and 2019. The Notes were fully subscribed prior to the application closing date. Proceeds from the Notes are being used to develop and construct Block 16 of Pendergardens.



View from Block 17, Tower 1 and Tower 2 site, showing Block 16 being constructed.

Site Location

The property being valued is known as **Tower T1, Tower T2 and Block 17 Site** which is a fully excavated site and **Block 16** which is under construction both forming part of Pendergardens Development Project in St Julian's Malta and shall be developed in Phase 2 of the project. The properties are shown in red (T1,T2 & B17) and in orange (B16) respectively on Pendergardens Development Master Plan below. The areas are of *circa* three thousand two hundred and seventeen square metres (3,217m²) for the site T1,T2 and B17 in red and one thousand three hundred and seventy nine square metres (1,379m²) for the B16 site in orange all developable footprints



Planning applications and Permits on site:

- PA 04073/95** Car parking lots and car port extension.
Granted on the 4th December 1996
- PA 00356/01** Temporary parking area at Pender place.
Granted on the 6th June 2001
- PA 06494/01** Extension of existing car park. Proposal of advertisement boards, proposal for kiosk (no food preparation to be carried out).
Withdrawn by Applicant
- PA 004295/02** To install advertisements boards.
Granted on the 7th November 2002
- Pa 05804/05** **OUTLINE** Development at Pender Place & Mercury House Sites as per development brief included in the CFO issued by the Malta Government Investments Limited.
Granted on the 1st February 2007
- Pa 05805/05** Excavation of Pender Place Site (To accommodate underground parking as per development brief included in the CFO issued by the Malta Government Investments Limited) and the formation of the villa residential private road between PP2 and PP3.
Granted on the 1st February 2007
- Pa 06137/07** It is proposed to construct 4 underground floors and overlying commercial and residential floors and the transfer of 2,157 square metres of commercial floor space from level -1 at Pender Place phase III site to level -1 at Mercury House site, and to change of use of an equivalent area of the vacated commercial floor space to domestic storage, plant, equipment or service areas or other acceptable uses, from the parking levels -2, -3 and -4 at Pender Place. The development comprises parking for residents, public parking, commercial areas, residential units and domestic storage spaces at Pender site.
Granted on the 18th February 2012

PA 04269/07 It is proposed to construct 4 underground floors and overlying commercial and residential floors and the transfer of 1,344 square metres of commercial floor space from level -1 at Pender Place phase 2 site to level -1 at Mercury House site, and to use level -1 at Pender Place phase 2 site for car parking; and to change of use of an equivalent area of the vacated commercial floor space at level -1 to domestic storage, plant, equipment of service areas or other acceptable uses, from the parking levels -2, -3 and -4 at Pender Place. The development comprises parking for residents, public parking, commercial areas, residential units and domestic storage spaces at Pender site.

Granted on the 11th August 2011

PA 06042/08 It is proposed to construct underground parking and commercial areas at level -1 and below, and commercial areas and office space at level 0 and above at the Mercury House site. This includes the transfer of floor space from Pender Place comprising of 3,501 square metres of commercial floor space from level -1 at Pender Place site to level -1 at Mercury House site, and the transfer of 6,458 square metres from Pender Place site from level 0 upwards, to Mercury House site above level 0. Restoration and alteration works Mercury House and Cold War rooms shall also be carried out.

Granted on the 15th September 2011

Development

Block 17, Tower T1 and Tower T2

The permits relevant to the site being valued are PA 04269/07 and PA 06137/07. The proposal, which will include the construction of two towers (T1 & T2) and a residential Block (B17) with the lower levels being in common to all three buildings. The lower levels will include four levels (level -4 to level -1) underground to be used for parking facilities, common areas, plant rooms other amenities related to the development and two first levels (Level 0 to level 1 including an intermediate level) above ground, which will have primarily commercial and retail use.

As from Level 2 upwards, Block 17 will have another eight floors (Level 2 to Level 9) which will have primarily residential use. The Towers T1 and T2 are merged together for fifteen floors (Level 1 to Level 15) the seven levels of which will be used as offices and the upper levels will have residential use. Tower T2 extending further two levels up (level 16 to Level 17) with these two floors becoming one duplex unit.

The whole development will include: a car park on four floors of a total gross floor area of 13,770 square metres with 52 parking spaces for private residential use and 216 public parking lots; commercial areas summing up to a total gross floor area of 14,638 square metres; and 73 residential apartments amounting to a gross floor area of 15,048 square metres. The total Gross floor area amounts to 43,455 square metres.

There will be an array of different residential units and are subdivided as follows: twenty (20) 1 bedroom apartments; twenty one (21) 2 bedroom apartments; twenty eight (28) 3 bedroom apartments and four (4) 3 bedroom duplexes penthouses.

Block 16

The permit directly relevant to the site is PA 04269/07, which will include the construction of thirteen floor building with four levels (level -4 to level -1) underground to be used for parking facilities, two above ground levels (level 0 to level 1) of mixed commercial and residential and the upper seven levels (level 2 to level 8) as residential units.

Block 16 will include a car park on four floors of a gross floor area of 6,099 square metres with 32 parking spaces for private residential use and 66 public parking lots; 5 retail and commercial outlets with double height volumes with a flat gross floor area of 634 square metres which can be increased by another 75% with the addition of intermediate levels and 46 residential apartments, amounting a gross area of 8,972 square metres.

There will be an array of different residential units and are subdivided as follows: ten (10) one bedroom apartments; sixteen (16) two bedroom apartments; two (2) two bedroom duplex apartments; two (2) three bedroom apartments; fourteen (14) three bedroom duplex apartments and two (2) duplex penthouses.



Special Designated Area

Pendergardens Development has acquired the status of Special Designated Area, hence non Maltese residents can purchase property with the same property rights as Maltese citizens and thereby enjoy the great capital growth as well as rental yields that these prime areas offer.

It is important to note that properties falling within “Special Designated Areas” are exempt from the restrictions set out in the AIP Act. These areas represent recently constructed developments intended to provide top-end residential properties. It is therefore possible for any non-EU citizen or EU citizen to acquire multiple properties within such Special Designated Areas. Such properties are also exempt from any restriction on acquisition through inheritance and there are also several other special exemptions.



Details of Charges, Easements and Other Burdens

Listing rule 7.4.14 requires that a valuation report provides details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens.

I have sought the input of legal advice in determining details of registered mortgages and privileges and other charges. I understand that there are no registered mortgages over any one of the sites where Block 16, Block 17, Tower T1 and Tower T2 are being developed but the following registered privileges and hypothecs are registered:

The site occupied by the construction of Block 16 is subject to a special privilege and special hypothec in favour of Equinox International Limited as trustee for Noteholders in the amount of €12,000,000 (twelve million euro) and interest thereon; (KIV H.3108/2013);

The site over which Block 17, Tower T1 and Tower T2 are to be constructed and developed is subject to a special privilege, general and special hypothec, over Pendergardens and the Exchange sites, in favour of Bank of Valletta p.l.c. constituted on 29 December 2005 for the original principal amount of LM8,750,000 (equivalent to €20,382,017) (KIV H21610/2005).

I have been informed by the directors that as part of the offer of Bonds to be made pursuant to the prospectus for the purposes of which this valuation has been prepared, each of the above charges, in so far as they relate to the site over which Block 16, Block 17, Tower T1 and Tower T2 are to be developed, shall be cancelled or released and that new charges in an amount of €42,000,000 (forty two million euro) and interest thereon shall be constituted in favour of Equinox International Limited as security trustee for the Bondholders.

In addition, based on the promise of sale agreement entered into between Pender Ville Limited as seller and Pendergardens Developments p.l.c. as buyer of the site over which Block 17, Tower T1 and Tower T2 are to be developed, and based on my knowledge of the site and the whole development certain easements shall be constituted. The following is an extract of the promise of sale agreement for the land in questions which set out the easements:

All capitalised terms used in this section shall have the same meanings assigned to them in the Promise of Sale Agreement.

Quote

Rights and Appurtenances and Easements

4.1 The Land is being sold and purchased as covered with the Full Development Permits, with all its rights and appurtenances and as suitable for the immediate construction of the Building.

4.2.1 The Towers and other parts of the Building shall have direct access from Triq Sant'Andrija, however the Residential Units and offices in the Towers, Block 17 and

other parts of the Building, when constructed in accordance with the Plans shall not have direct access from the public roads surrounding the Pender Place Site. For this reason, the Vendor hereby constitutes, in favour of the Land the following easements in the manner and for the purposes stated hereunder, namely:

(a) in favour of the Land (Overlying) and specifically in favour of the Block 17 and the Towers and the Residential Units situated therein when constructed (as dominant tenements), but excluding the offices constructed therein and the Commercial Area, a perpetual easement consisting of a non-exclusive right of use, in perpetuity and transferable together with the Land (Overlying) including distinct parts thereof, over the Development Common Areas (as servient tenements), which Development Common Areas shall remain the property of Vendor. The said easement shall be subject to the obligation on the Purchaser to pay its share of the 'Costs' in terms of the Development Common Areas Condominium Rules it being understood that Vendor as owner of the Development Common Areas shall not be liable for any of the said Costs and the same shall be at the sole charge of the Purchaser as owner of the Residential Units forming part of the Block 17 and the Towers together with the other owners of Residential Units within Pendergardens in terms of the Development Common Areas Condominium Rules as may be amended from time to time. The Vendor as owner of a number of Residential Units within Pendergardens shall pay its share of the Costs in terms of the Development Common Areas Condominium Rules; and

(b) in favour of the Land (Underlying) and specifically in favour of the Residential Car Park (Extension) and the Garage Units situated therein when constructed and in favour of the Public Car Park (Extension) and the Garage Units situated therein when constructed (as dominant tenements) the perpetual easement described in clauses 4.6.4 (four point six point four) on the Residential Car Park (Existing) Common Parts and the perpetual easement described in 4.6.6 (four point six point six) on the Public Car Park (Existing) Infrastructure (as servient tenements) in the manner and under the terms and conditions stated in clauses 4.6.4 (four point six point four) to 4.6.6 (four point six point six), both clauses included.

4.2.2 The Towers and other parts of the Building excepting Block 17 shall have direct access from Triq Sant' Andrija and it is planned that Triq Sant' Andrija shall be widened to extend up to the perimeter of the Land, which extension shall extend over the Road Area property of the Vendor. For this reason, until such time when the Road Area becomes a public road the Vendor is constituting in favour of the Land (Overlying) and specifically in favour of the Towers and the other parts of the Building which shall be directly accessible from Triq Sant' Andrija (as dominant tenements) a perpetual easement on the Road Area (as servient tenement) consisting of the vehicular and pedestrian right of way and access from Triq Sant' Andrija over the servient tenement to the dominant tenement and vice versa: provided that the access over the Road Area shall not be exclusive to the dominant tenements and as already stated shall eventually be incorporated into Triq Sant' Andrija.

4.3 *The buildings which shall be constructed on the Land (Overlying) (as dominant tenements) shall enjoy the perpetual easement over the internal piazza, gardens, walkways, open spaces and the relative entrances, ramps, paths and all improvements erected thereon constituting part of the Development Common Areas (as servient tenements) consisting of the right to open windows, balconies, doors and other apertures onto and overlooking the servient tenements as may be required by the Purchaser, provided these are approved by MEPA.*

4.4 *The Vendor has conferred and shall be entitled to confer non-exclusive servitudes over the Development Common Areas (similar to those described in paragraph (a) of clause 4.2 (four point two) above and in clause 4.3 (four point three) above) to the owners of the other Residential Units within Pendergardens, including future developments without limitation.*

4.5.1 *The Garage Complex (Existing) (as servient tenement) shall remain or (as the case may be) shall become subject to the easements or other rights for the advantage of the Garage Complex (Extension) (as dominant tenement) consisting of the right to pass through such parts of the Garage Complex (Existing) designated for the purpose by the owner of the servient tenement, of any and all common or separate services, flues, pipes, drains, cables and wiring together with the relative connections, fittings and accessories, which shall be necessary and convenient for the proper enjoyment of the dominant tenement provided that (i) this right of passage may only be exercised to the extent that any of these services, flues, pipes, drains, cables and wiring are not otherwise already provided as part of the Development Infrastructure and only if they cannot be lawfully and conveniently passed in or under the public road network adjacent to the Land; (ii) when exercised all works must be carried out as required by standard building practice, under the supervision and direction of the owner of the servient tenement and with the least possible damage to the servient tenement; and (iii) in any case no services, flues, pipes, drains, cables or wiring may traverse the Garage Complex (Existing) in a place or in the manner which shall materially impede the use of any part of the servient tenement for the purpose for which it is intended and shall not limit the existing headroom; and (iv) once the owner of the servient tenement has adequately designated the parts of the Garage Complex necessary for the enjoyment of this easement, the owner of the dominant tenement shall not be entitled to render this easement more onerous without the prior consent in writing of the owner of the servient tenement and the remainder of the Garage Complex, excluding such designated parts, shall be released from the said easement.*

4.5.2 *The easement established by virtue of clause 4.5.1 (four point five point one) above includes the right of access through the servient tenement for the purpose of*

maintenance and repairs of the services, flues, pipes, drains, cables or wiring passing through the servient tenement, which right of access shall be exercised after reasonable prior notice except in an emergency when the obligation to give notice is hereby waived.

4.6.1 In respect of the Garage Complex, the Parties furthermore agree as follows:

4.6.2 The Purchaser shall construct and develop the Garage Complex (Extension) in the Land (Underlying) as shown on the Plans.

4.6.3 The Vendor and the Purchaser shall make the necessary openings in the respective dividing walls between the Garage Complex (Existing) and the Garage Complex (Extension) which shall be required to interconnect the Garage Complex (Existing) and the Garage Complex (Extension) and upon such interconnections:

(a) the Residential Car Park (Existing), the Residential Car Park (Extension) and any further extension of the Residential Car Park and all Garage Units situated therein shall constitute one and the same condominium which shall be regulated by the Residential Car Park Condominium Rules and administered by the Administrator of the Residential Car Park and the Garage Units in the Residential Car Park (including those in the Residential Car Park (Existing), in the Residential Car Park (Extension) and in any further extension of the Residential Car Park) shall be subjected to the easement in favour of the remainder of Pendergardens (as dominant tenement) in the sense that they may be used exclusively for parking and in the case of lockup garages also for the storage of personal items and household goods but nevertheless may not be used in any manner which will cause smells, fumes, noise, vibration or other inconvenience or disturbance to the owners of Residential Units in the remainder of Pendergardens; and

(b) the Public Car Park (Existing), the Public Car Park (Extension) and any further extension of the Garage Complex designated by the Vendor as a public car park and all Garage Units situated therein and, save as may be otherwise agreed in writing between the Parties, shall constitute one and the same Public Car Park which shall be operated and administered by the Vendor or by such person engaged by the Vendor for such purpose, subject to any usage fees which the Vendor or its successors in title may determine with the approval of the Purchaser from time to time, such that all costs for the operation, administration, cleanliness, maintenance and repairs (both ordinary and extraordinary) of the Public Car Park shall be borne exclusively by the Vendor or its successors in title and the Purchaser shall receive usage fees for the Garage Units within its property as shall be agreed between the Vendor and the Purchaser in good faith from time to time.

4.6.4 *The Vendor as owner of the Residential Car Park (Existing) Common Parts (as servient tenement) hereby constitutes in favour of the Residential Car Park (Extension) and in favour of each Garage Unit which shall be situated therein (as dominant tenements), an easement consisting of a non-exclusive right of use, in perpetuity and transferable to third parties together with a Garage Unit, over the Residential Car Park (Existing) Common Parts, which Residential Car Park (Existing) Common Parts (excepting those parts situated on the land purchased by the Purchaser by virtue of the First Deed) shall remain the property of the Vendor. The said easement shall be subject to the obligation on the Purchaser and its successors in title as owners of Garage Units in the Residential Car Park to pay their share of the 'Costs' in terms of the Residential Car Park Condominium Rules attached to this Agreement. It being understood that the Vendor as owner of the Residential Car Park (Existing) Common Parts shall not be liable for any of the said Costs and the same shall be at the sole charge of the Purchaser and its successors in title as owners of Garage Units in the Residential Car Park together with the other owners of Garage Units within the Residential Car Park in terms of the Residential Car Park Condominium Rules as amended from time to time. The Vendor as owner of a number of Garage Units within the Residential Car Park shall pay its share of the Costs in terms of the attached Residential Car Park Condominium Rules.*

4.6.5 *The Vendor shall be entitled to confer similar non-exclusive servitudes over the Residential Car Park (Existing) Common Parts to the owners of the other Garage Units and other amenities within the Residential Car Park, without limitation including future developments.*

4.6.6 *The Vendor as owner of the Public Car Park (Existing) Infrastructure (as servient tenement) hereby constitutes in favour of the Public Car Park (Extension) and in favour of each Garage Unit which shall be situated within the Public Car Park Extension (as dominant tenements), an easement consisting of a non-exclusive right of use, in perpetuity and transferable to third parties together with a Garage Unit, over the Public Car Park (Existing) Infrastructure consisting of the right of uninterrupted vehicular and pedestrian passage and access over the entrances, ramps, roads, streets, and common driveways all constituting part of the Public Car Park (Existing) Infrastructure from Triq Sant' Andrija and vice versa, which Public Car Park (Existing) Infrastructure (excepting those parts situated on the land purchased by the Purchaser by virtue of the First Deed) shall remain the property of the Vendor. The said easement shall be subject to the mutual obligations undertaken by the Vendor and the Purchaser in paragraph (b) of clause 4.6.3 (four point six point three) of this Agreement. To the extent necessary Garage Units in the Residential Car Park (Extension) shall enjoy a right of pedestrian passage over the common driveways in the Public Car Park (Existing).*

4.6.7 *The Vendor shall be entitled to confer similar non-exclusive servitudes over the Public Car Park (Existing) Infrastructure to the owners of the other Garage Units and other amenities within the Garage Complex, without limitation including future developments.*

4.6.8 *The Purchaser as owner of the Residential Car Park (Extension) Common Parts when constructed and completed (as servient tenement) hereby constitutes in favour of the Residential Car Park (Existing) and any further extension of the Residential Car Park which may be constructed and completed by the Vendor or its successors in title and in favour of each Garage Unit which shall be situated therein (as dominant tenements), an easement consisting of a non-exclusive right of use, in perpetuity and transferable to third parties together with a Garage Unit, over the Residential Car Park (Extension) Common Parts including the right of uninterrupted vehicular and pedestrian passage and access over the entrances, ramps, roads, streets, and common driveways all constituting part of the Residential Car Park (Extension) Common Parts from Triq Sant' Andrija and vice versa, which Residential Car Park (Extension) Common Parts shall remain the property of the Purchaser. The said easement shall be subject to the obligation on the Vendor and its successors in title as owners of Garage Units in the Residential Car Park to pay their share of the 'Costs' in terms of the Residential Car Park Condominium Rules attached to this Agreement. It being understood that the Purchaser as owner of the Residential Car Park (Extension) Common Parts shall not be liable for any of the said Costs and the same shall be at the sole charge of the owners of Garage Units in the Residential Car Park in terms of the Residential Car Park Condominium Rules as amended from time to time. The Purchaser as owner of a number of Garage Units within the Residential Car Park shall pay its share of the Costs in terms of the attached Residential Car Park Condominium Rules.*

4.6.9 *The Purchaser shall be entitled to confer similar non-exclusive servitudes over the Residential Car Park (Extension) Common Parts to the owners of the other Garage Units and other amenities within the Residential Car Park, without limitation including future developments.*

4.6.10 *The Purchaser as owner of the Public Car Park (Extension) Infrastructure (as servient tenement) hereby constitutes in favour of the Public Car Park (Existing) and any further extension of the Public Car Park which may be constructed and completed by the Vendor or its successors in title and in favour of each Garage Unit which shall be situated therein (as dominant tenements), an easement consisting of a non-exclusive right of use, in perpetuity and transferable to third parties together with a Garage Unit, over the Public Car Park (Extension) Infrastructure including the right of uninterrupted vehicular and pedestrian passage and access over the entrances, ramps, roads, streets, and common driveways all constituting part of the Public Car Park (Extension) Infrastructure from Triq Sant' Andrija and vice versa, which Public Car Park (Extension) Infrastructure shall remain the property of the Purchaser. The said easement*

shall be subject to the mutual obligations undertaken by the Vendor and the Purchaser in paragraph (b) of clause 4.6.3 (four point six point three) of this Agreement.

4.6.11 The Purchaser shall be entitled to confer similar non-exclusive servitudes over the Public Car Park (Extension) Infrastructure to the owners of the other Garage Units and other amenities within the Garage Complex, without limitation including future developments.

4.6.12 The Garage Complex (Extension) (as servient tenement) shall become subject to the easements or other rights for the advantage of the remainder of Pendergardens (as dominant tenement) consisting of the right to pass through such parts of the Garage Complex (Extension) designated for the purpose by the owner of the servient tenement, of any and all common or separate services, flues, pipes, drains, cables and wiring together with the relative connections, fittings and accessories, which shall be necessary and convenient for the proper enjoyment of the dominant tenement provided that (i) this right of passage may only be exercised to the extent that any of these services, flues, pipes, drains, cables and wiring are not otherwise already provided as part of the Development Infrastructure and only if they cannot be lawfully and conveniently passed in or under the public road network adjacent to the Pender Place Site; (ii) when exercised all works must be carried out as required by standard building practice, under the supervision and direction of the owner of the servient tenement and with the least possible damage to the servient tenement; and (iii) in any case no services, flues, pipes, drains, cables or wiring may traverse the Garage Complex (Extension) in a place or in the manner which shall materially impede the use of any part of the servient tenement for the purpose for which it is intended and shall not limit the headroom as existing in the remainder of the Garage Complex; and (iv) once the owner of the servient tenement has adequately designated the parts of the Garage Complex (Extension) necessary for the enjoyment of this easement, the owner of the dominant tenement shall not be entitled to render this easement more onerous without the prior consent in writing of the owner of the servient tenement and the remainder of the Garage Complex (Extension), excluding such designated parts, shall be released from the said easement.

4.6.13 The easement established by virtue of clause 4.6.12 (four point six point twelve) above includes the right of access through the servient tenement for the purpose of maintenance and repairs of the services, flues, pipes, drains, cables or wiring passing through the servient tenement, which right of access shall be exercised after reasonable prior notice except in an emergency when the obligation to give notice is hereby waived.

4.7 The Purchaser is establishing for the advantage of Pendergardens and of the improvements which are being or will be constructed and developed in such other parts of Pendergardens (as dominant tenement) an easement of altius non tollendi over the

Land (as servient tenement) consisting of the prohibition to construct any building higher than that permitted in the Full Development Permits for the Land if any such building were to cause any other construction within Pendergardens to be in breach of the Code of Police Laws or any other building or sanitary laws or regulations applicable at the time. It being understood that this easement shall not restrict or limit the rights of the owner of the servient tenement from (a) placing or installing on the roof of such building services and utilities, whether public or private, required for the proper development, functioning and enjoyment of such building including, but not limited to, water tanks, air-conditioning equipment, solar panels, generators, satellite dishes, aerials, antennae and other equipment, machinery and objects, together with all related wires, cables, drains, pipes, connections, installations, fittings and accessories required for the aforesaid services and utilities, and (b) constructing on the roof of such building all related structures necessary to house, install, support or retain the aforesaid services and utilities.

4.8 The Purchaser declares that it intends to construct the Reservoir in the Land (Underlying) and hereby grants to the Vendor the non-exclusive perpetual right of the use thereof for the benefit of the remainder of Pendergardens.

4.9 In addition to the easements that shall be constituted on the Deed pursuant to this Agreement, the Land and the remainder of the Pender Place Site, including all improvements built thereon from time to time, shall be subject and at the same time shall enjoy such easements as shall result from their respective positions in relation to each other, which although not mentioned on this Agreement either result from the Full Development Permits or are otherwise essential for the proper enjoyment of the respective properties in accordance with their destination.

4.10 The easements mentioned in this Agreement shall be constituted on the Deed with the mutual consent of the Parties and the value thereof has been taken into consideration in the Price.

4.11 Any walls dividing the Purchaser's property and other buildings on the remainder of the Pender Place Site shall be considered common party walls; however neither one of the Parties, or their successors in title, shall be obliged to pay and or shall be entitled to receive compensation for the party walls (appoggi) according to law.

4.12 The Purchaser undertakes to develop the Access Area as open spaces as shown on the Plans to be used for pedestrian passage and it hereby constitutes a perpetual easement on the Access Area (as servient tenement) consisting of the pedestrian right of way and access from Triq Sant' Andrija over the servient tenement for the advantage of

the remainder of Pendergardens (as dominant tenement) and vice versa as shall be necessary to provide adequate and uninterrupted pedestrian access to the parts of Pendergardens which require access from the Access Area: provided that the access over the Access Area shall not be exclusive to the Building and the remainder of Pendergardens and shall also be available to the public in general and that such access may be regulated by such signage as may be set up, painted or otherwise installed from time to time in or on the Access Area to regulate pedestrian traffic and usage.

Present State of Site

Block 17, Tower T1 and Tower T2

The site today is covered with all necessary Planning and Building permits, all excavation works carried out and construction drawings, documents and tenders have been prepared. Tenderers have been invited to submit their proposal for the core, shell and M&E infrastructure which include approx 75% of the project development cost covered by this process for Towers T1 and T2. This will guarantee price certainty for the Towers at an early stage. Five contractors were approached and have accepted the invitation. All five contractors have confirmed that they would individually be setting up joint ventures to submit the Tender. The first submission of the Tender process was done on the 18th December 2013. Therein each joint venture had to submit details of the joint venture team and related information such as experience, sub contractors, financial backing and other details. A high level of project development cost certainty for Block 17 can be achieved through cost extrapolation of Block 16 due to the similarity of the blocks in terms of design and size.



It is expected that civil works on Block 17, Tower T1 and T2 will commence in the third quarter of 2014, and completion of all construction work including finishes is expected in the first semester of 2018.

Block 16

Block 16 is in construction stage and shell structure has reached Level 2 meaning the four underground levels and the first two floors over ground have been completed. Works are proceeding as scheduled and it is being envisaged that the whole structure should be completed by the fourth quarter of 2014, whilst finishes of the Block should be completed by the second quarter of 2015. The Directors anticipate that sales contracts for units in Block 16 will be entered into as from the third quarter of 2015.



Valuation

In order to prepare this valuation, the undersigned had access to, and review of, the total costs incurred to date by Pendergardens Developments plc, and the development costs envisaged to be incurred, between the years 2014 to 2022 for Block 16, 17 and Towers T1 and T2, as made available by the Directors. The assumptions underlying these costs were subjected to a Due Diligence Review by the Company's financial advisors PricewaterhouseCoopers. These development costs include cost of land, direct and indirect costs of development, but exclude non-recoverable VAT, marketing expenses and borrowing costs.

In conformity with the Listing Rules, it is recorded that the estimated total cost to completion of the property in course of development (Block 16) as at the date of this report, inclusive of overheads, amounts to approximately five million and seven hundred thousand Euros (€5,700,000), whereas the estimated total cost of development for the property held for development (Block 17 and Towers T1 & T2) amounts to approximately thirty six million Euros (€36,000,000)

The cost of land for Block 16 amounted to four million and nine hundred thousand Euros (€4,900,000) and was settled through an issue of shares in Pendergardens Developments plc. The aggregate cost of land for Block 17 and Towers T1 and T2 amounts to Thirteen million and three hundred thousand Euros (€13,300,000) and will be paid through an issue of shares as to four million and three hundred thousand Euros (€4,300,000) and the remaining balance of nine million Euros (€9,000,000) will be settled in cash.

The undersigned also had access to, and review of, the pricing strategy that was proposed for the development, which forms the basis of the financial projections used for this valuation.

The Listing Rules require that, for valuations of property in course of development (as is Block 16), an opinion is expressed on the open market value of the property in its existing state at the date of valuation (**the value at the current state**), and on the estimated capital values at current prices and on the basis of current market conditions after the development has been completed (**the value on completion of works**), and after the development has been completed (**the value on maturity**). Given that the units of Block 16 are available for sale and not for letting, the said property has no 'operational maturity'. Therefore, in the case of Block 16, the value on completion of works and value on maturity are, for all intents and practical purposes, equivalent.

In the case of the valuation of property held for development (as is Block 17 and Towers T1 and T2), the Listing Rules require an opinion on the open market value in its existing state at the date of valuation.

The value of the Property is based upon facts and evidence available at the date of the valuation, part of which information was made available by the Directors and their advisors. No detailed area measurements have been undertaken, although my knowledge of the project allows me to confirm that the areas quoted in this valuation report are broadly correct. It has been assumed that no unusually onerous conditions will arise as the site is already excavated. Furthermore, it has also been assumed that all development

will take place in strict conformity with the relative planning permits, and other statutory obligations, and constructed by reputable contracting firms, to high quality standards and first class workmanship.

After considering the above, location, layout, approved MEPA permits, together with other information supplied by my client which could have had a bearing on my assessment, the fact the property is freehold and on the basis of an open market value, I am in a position to estimate the current market value of the site in the existing state at twenty four million, and seventy one thousand Euros (**€24,071,000**) as follows:

- The present capital value in its existing state and the estimated open market value in its existing state of **Block 16 site**, in course of development, as at 31st March 2014 is ten million three hundred and twenty six thousand Euros (**€10,326,000**); the capital value at current prices, and on the basis of current market conditions, of the said property, after the development has been completed, is estimated at twenty one million Euros (€21,000,000);
- The present capital value in its existing state and estimated open market value in its existing state of **Block 17, Tower T1 and Tower T2 site**, held for development, is estimated at thirteen million, seven hundred and forty five thousand Euros (**€13,745,000**).

Valuations are not a prediction of price, nor a guarantee of value, and whilst my valuation is one which I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value. Moreover, the value of property development is susceptible to changes in economical conditions, and may therefore change over relatively short periods. This valuation and report is submitted without prejudice to the party to whom they are addressed.



Perit Aaron Abela.

SECURITIES NOTE

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by Pendergardens Developments p.l.c. The Listing Authority has approved the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

Dated 5 May 2014

Securities Note

In respect of an issue of:

€15,000,000 5.5% Secured Bonds 2020

of a Par Value of €100 per Bond issued at par

ISIN: MT0000791203

(the “Series I Bonds”)

and

€27,000,000 6% Secured Bonds 2022

of a Par Value of € 100 per Bond issued at par

ISIN: MT0000791211

(the “Series II Bonds”)

PENDERGARDENS DEVELOPMENTS P.L.C.

(a public limited liability company registered under the laws of Malta)

For a description of the security in respect of the Bonds, see the section entitled “Creating the Security” in Section 4.3.1 of the Registration Document.

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

Legal Counsel
to the Sponsor & Manager

Legal Counsel
to the Issuer

Security Trustee

Sponsor
& Manager

Registrar

CAMILLERI PREZIOSI
ADVOCATES

VZM VELLA ZAMMIT McKEON
ADVOCATES

EQUINOX INTERNATIONAL
LIMITED

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING


BORŻA TA' MALTA
MALTA STOCK EXCHANGE

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY PENDERGARDENS DEVELOPMENTS PLC (THE "ISSUER") OF TWO SERIES OF BONDS, NAMELY:

- A. €15,000,000 SECURED BONDS 2020 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5.5% PER ANNUM PAYABLE ANNUALLY ON 31 MAY OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION (THE "**SERIES I BONDS**");

AND

- B. €27,000,000 SECURED BONDS 2022 OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR (THE "**SERIES II BONDS**"). THE SERIES II BONDS SHALL BEAR INTEREST AT THE RATE OF 6% PER ANNUM PAYABLE ANNUALLY ON 31 JULY OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE:

- A. CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER;

AND

- B. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE COMPANY AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO

SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION "S" OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "**IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS**" UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER

OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

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1. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Applicant/s	a person or persons who subscribe/s for Secured Bonds through Charts or other financial intermediaries;
Application Form	the forms of application of subscription for Bonds, a specimen of which is contained in Annex I of the Securities Note;
Application/s	the application to subscribe for Bonds made by an Applicant/s (including an Existing Noteholder) through Charts or other financial intermediaries;
Bond Issue or Offer	the issue of the Secured Bonds;
Bond Issue Price	the price of €100 per Bond in the case of both the Series I Bond and the Series II Bond;
Bondholder/s	a holder of Secured Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Charts	Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Collateral or Security Interests	<ul style="list-style-type: none"> i. the first-ranking general hypothec to be constituted by the Company in favour of the Trustee, over all its assets present and future for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; ii. the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hypothecated Property for the amount of €42 million (forty two million euro), interest thereon and any other amounts due under the Bonds; and iii. the pledge on the proceeds of insurance covering the replacement value of the Project;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Cut-Off Date	close of business of 5 May 2014;
Deed of Hypothec	a deed to be entered into by and between the Trustee and the Issuer in the acts of Notary Pierre Attard whereby <i>inter alia</i> the Issuer constitutes the Collateral in favour of the Trustee;
Directors or Board	the directors of the Issuer whose names are set out under the heading “ Identity of Directors, Senior Management, Advisors and Auditors ” in the Registration Document;
Euro or €	the lawful currency of the Republic of Malta;

Existing Note	the Global Note issued by the Issuer in favour of Equinox International Limited (the “ Existing Note Trustee ”) representing the amount due by the Issuer to the Existing Note Trustee and creating, acknowledging and representing the indebtedness of the Issuer to the Existing Note Trustee in accordance with the terms and conditions set out in the Global Note issued pursuant to a prospectus dated 6 February 2013; which Global Note has a final maturity on 13 January 2019 but with optional redemption dates on any day falling between (and including) 15 January 2015 and 13 January 2019, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Global Note and all interests accrued up to the date of prepayment, by giving 30 days prior written notice of such prepayment between 15 January 2015 and 13 January 2019 (both days included) and “ Early Redemption of the Existing Note ” shall be construed accordingly;
Existing Noteholder	a holder of Existing Notes as at the Cut-Off Date;
Group	PVL and its subsidiaries Pendergardens Limited (C 41880), PCL and the Issuer;
Hypothecated Property	the immovable property described hereunder, namely: <ul style="list-style-type: none"> a. the plot of land together with the improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,379m² and earmarked for the construction of Block 16 of Pendergardens, consisting of residential apartments, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document to be better shown as on a plan attached to the notarial deed published in the records of Notary Pierre Attard on 8 January 2013; b. the plot of land together with any improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,926m² and earmarked for the construction of Block 17 of Pendergardens, consisting of residential apartments, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document to be better shown as on a plan attached to the notarial deed to be published in the records of Notary Pierre Attard; c. the plot of land together with the improvements made, and to be made, thereon situated within Pendergardens, having a superficial area of approximately 1,291m² and earmarked for the construction of Towers I & II of Pendergardens, consisting of residential apartments, offices, commercial outlets and underlying car park spaces, as detailed in Section 4.2 of the Registration Document and to be better shown on a plan to be attached to the notarial deed to be published in the records of Notary Pierre Attard;
Interest Payment Date	31 May of each year between and including each of the years 2015 and the year 2020 in the case of the Series I Bonds, and 31 July of each year between and including each of the years 2015 and the year 2022 in the case of the Series II Bonds, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	5 June 2014;
Issuer or Company	Pendergardens Developments p.l.c., a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C 58098 and with its registered office at GB Buildings, Watar Street, Ta’Xbiex XBX 1301, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of L.N. 1 of 2003;
Listing Rules	the listing rules of the Listing Authority;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;

MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
New Developments	the construction and development of each of Block 17 and Towers I & II;
Nominal Value or Par Value	€100 per Bond;
Offer Period	the period between 12 May 2014 to 26 May 2014 during which the Bonds are on offer;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Pender Contracting Limited or PCL	Pender Contracting Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 38017 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Pender Ville Limited or PVL	Pender Ville Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C 36675 and having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta;
Placement Agreement	the agreement between Charts and the Issuer, as detailed in Section 7.4 of this Securities Note;
Pendergardens	the mixed use residential and commercial development to be constructed on a site measuring 18,500m ² in Pender Place, St Andrew's Road, St Julians, part of which has already been completed as at the date of this Prospectus as detailed in Section 4.2 of the Registration Document;
Project or Phase II	<p>the construction and development of:</p> <ul style="list-style-type: none"> i. Block 16 - consisting of 46 residential apartments, 971m² of commercial space and 4 levels of underlying car park spaces; ii. Block 17 - comprising 2 floors of commercial space and a further 7 floors of residential apartments (43 units), 4 levels of underground car park spaces and an adjacent swimming pool at level 1; and iii. Towers I & II - consisting of an 18-floor tower and a 16-floor tower connected by a single common core. The first seven floors of both towers are earmarked for office space, whilst the remaining floors will be developed into residential apartments (30 units). Towers I & II will also include retail space at ground level and 4 levels of underlying car park spaces. <p>Phase II is described in further detail in Section 4.2 of the Registration Document;</p>
Prospectus	collectively, the Registration Document, this Securities Note and the Summary Note;
Redemption Date	31 May 2020 in the case of the Series I Bonds and 31 July 2022 in the case of the Series II Bonds;
Redemption Value	the Nominal Value of each Bond;
Registration Document	the registration document issued by the Issuer dated 5 May 2014, forming part of the Prospectus;

Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards to regulatory technical standards for publication of supplements to the Prospectus;
Secured Bond(s) or Bond(s)	the Series I Bonds and the Series II Bonds;
Securities Note	this document in its entirety;
Security Interests	see Collateral;
Security Trustee or Trustee	Equinox International Limited having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103;
Series I Bonds	the €15 million Secured Bonds due 2020 of a face value of €100 per bond, redeemable at their Nominal Value on the Redemption Date, bearing interest at the rate of 5.5% per annum, as detailed in this Securities Note;
Series II Bonds	the €27 million Secured Bonds due 2022 of a face value of €100 per bond, redeemable at their Nominal Value on the Redemption Date, bearing interest at the rate of 6% per annum, as detailed in this Securities Note;
Sponsor	Charts;
Summary Note	the summary note issued by the Issuer dated 5 May 2014, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of each of: (a) the Series I Bond as contained in this Securities Note; and (b) the Series II Bond as contained in this Securities Note;
Trust Deed	the trust deed signed between the Company and the Security Trustee dated 30 April 2014;
Trust Property	the rights attaching to and emanating from the Trust Deed and the benefit of the security created by virtue of the Security Interests for the benefit of Bondholders.

2 RISK FACTORS

2.1 General

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE

FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.2 FORWARD-LOOKING STATEMENTS - CAUTIONARY STATEMENT

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and/or the respective Directors concerning, amongst other things, its strategies and business plans, results of operations, financial condition, liquidity, prospects and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The actual results of operations, financial condition, liquidity, dividend policy and the strategic development of the Issuer may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition, liquidity and dividend policies of the Issuer are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include:

- (i) continued, sustained or worsening global economic conditions and in particular economic weakness in the areas in which the Issuer operates;
- (ii) increased competition;
- (iii) increased regulation;
- (iv) failure to complete the Project under development on time and within budget or at all;
- (v) over-supply of similar or competing accommodation.

Potential investors are advised to read the Prospectus in its entirety, and in particular “Risk Factors” detailed in Section 2 of the Registration Document for a further discussion of the factors that could affect the Issuer’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are made only as at the date hereof. The Company and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

2.3 RISKS RELATING TO THE BONDS

- **Orderly and Liquid Market**
The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer’s Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or if it develops, that it will continue. Accordingly, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.

- **Subsequent Changes in Interest Rates**
The Bonds have a fixed interest rate. Accordingly, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds and their transferability.
- **Currency Risk**
Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.
- **Changes in Circumstances**
No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.
- **Security Interests**
Notwithstanding that the Bonds constitute the general, direct, unconditional and secured obligations of the Issuer, and shall, subject to what is stated below, rank with preference and priority, over any unsecured debt of the Issuer, if any, there can be no guarantee that privileges accorded by law in specific situations will not arise during the course of the Issuer's business which may rank with priority or preference to the Security Interests.
- **Changes to Terms and Conditions**
In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bonds or of either of the Series I Bond or Series II Bond it shall call a meeting of Bondholders in accordance with the provisions of Section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- **Changes in Law**
The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- **Future Public Offerings**
No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the Directors of the Issuer, whose names appear under the sub-heading "**Directors and Company Secretary**" under the heading "**Identity of Directors, Senior Management, Advisors and Auditors**" in Section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

3.1 CONSENT FOR USE OF PROSPECTUS

Consent required in connection with the use of the Prospectus during the Offer Period by Charts and/or any other financial intermediary:

The Issuer has entered into the Placement Agreement with Charts (See Section 7.4 below). It is the intention of Charts that during the Offer Period it shall accept subscriptions for the Bonds from other financial intermediaries and customers. For the purposes of any subscription for Bonds through Charts and/or any other financial intermediary during the Offer Period and any subsequent resale, placement or other offering of Bonds by Charts and/or any other financial intermediary in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of

this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Charts and/or any other financial intermediary during the Offer Period;
- ii. to any resale or placement of Bonds taking place in Malta;
- iii. to any resale or placement of Bonds taking place within the period of 60 days from the date of the Prospectus.

Neither the Issuer nor the Sponsor has any responsibility for any of the actions of any financial intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of Bonds by Charts and/or any financial intermediary, Charts and/or any financial intermediary will provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made. Where such information is not contained in the Prospectus, it will be the responsibility of Charts and/or any applicable financial intermediary, at the time of such offer to provide the investor with that information. The Issuer has undertaken in favour of Charts and financial intermediaries that it shall keep Charts and financial intermediaries informed of any changes to information that may be relevant and which was not known as at the date of this document through the publication of such information by way of a company announcement through the MSE.

Any resale, placement or other offering of Bonds to an investor by Charts and/or any financial intermediary will be made in accordance with any terms and other arrangements in place between Charts and/or any financial intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of Charts and/or the applicable financial intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information, save for the obligation of the Issuer to provide Charts and/or any financial intermediary with any relevant information which is not known as at the date of this document.

Charts or any other financial intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

4 ESSENTIAL INFORMATION

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €41,250,000, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- 4.1.1 a maximum amount of €12 million of the proceeds from the Series II Bond will be used to finance the redemption of the outstanding amount of Existing Notes, which the Issuer intends to redeem at the first Early Redemption Date, that is on 15 January 2015;

- 4.1.2 the aggregate amount of €8.95 million shall be paid to PVL for the cash settlement of the purchase consideration for the land over which the Project (with the exception of Block 16) shall be developed and to PCL for the settlement of works in progress executed on the said land; and
- 4.1.3 the remaining balance of the net Bond Issue proceeds equivalent to *circa* €20 million from the Series I Bond and the Series II Bond shall be applied towards the costs of construction and development of the Project. The outstanding amount of €26.1 million required to complete the Project shall be generated from net sales of Phase II residential and commercial units.

All proceeds from the Bond Issue shall be held by the Security Trustee pending the constitution of the Collateral to secure the Bonds. Subject to the satisfaction of the conditions precedent set out in Section 7.4 of this document, the Bonds shall be fully subscribed pursuant to the Placement Agreement (see Section 7.4 below) and Existing Note Transfers (see Section 7.2 below). In the event that either of the conditions precedent is not satisfied the Security Trustee shall return Bond proceeds received back to investors and no Existing Note Transfers shall take effect.

4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €750,000. There is no particular order of priority with respect to such expenses.

4.3 ISSUE STATISTICS - SERIES I BONDS

Amount:	€15 million;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0000791203;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	31 May 2020;
Plan of Distribution:	The Series I Bonds have been conditionally placed with Charts pursuant to the Placement Agreement. Charts intends to re-sell the Bonds, in whole or in part to underlying customers and to other financial intermediaries;
Preferred Allocations:	There are no preferred allocations except pursuant to the Placement Agreement entered into with Charts;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	Save for any short to medium term indebtedness created by the Issuer to make up for cash flow shortfalls resulting from the proceeds from the sale of units and garage spaces in the Project which may rank <i>pari passu</i> with the Bonds (see Section 5.12 below), the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer, and shall rank <i>pari passu</i> with Series II Bonds, but with priority or preference over all other unsecured indebtedness of the Issuer, if any;

Listing:	The Listing Authority has approved the Series I Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Placement Agreement:	The Issuer has entered into a conditional placement agreement with Charts whereby the Series I Bonds have been made available for subscription by Charts on 26 May 2014 (See also Section 7.4 below);
Date of Offer Closing:	26 May 2014;
Offer Period:	12 May 2014 to 26 May 2014, both days included;
Interest:	5.5% per annum on the Nominal Value of each Series I Bond;
Interest Payment Date(s):	Annually on 31 May as from 31 May 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 ISSUE STATISTICS - SERIES II BONDS

Amount:	€27 million;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Denomination:	Euro (€);
ISIN:	MT0000791211;
Minimum amount per subscription:	Minimum of €2,000 and multiples of €100 thereafter;
Redemption Date:	31 July 2022;
Plan of Distribution:	The Issuer has retained the amount of €12 million in Series II Bonds available for subscription by Existing Noteholders who shall have first preference for subscribing to Series II Bonds against the surrender of the Existing Notes (See “ Preferred Allocations ” below). The remaining €15 million in Bonds, together with any Series II Bonds reserved for Existing Noteholders, not subscribed for as at the close on 21 May 2014, shall be subscribed for by Charts (See “ Placement Agreement ” below);
Preferred Allocations:	The allocation of Bonds shall be made with preference to those Applicants who, as Existing Noteholders, indicate their agreement to settle the consideration due for the Bonds applied for by surrendering in the Issuer’s favour Existing Notes of an equivalent nominal value (as described in Section 7.2 below). The full amount currently invested in the Existing Note shall be applied to the payment of the Series II Bond;
Placement Agreement:	The Issuer has entered into a conditional placement agreement dated 30 April 2014 with Charts for a minimum subscription of Series II Bonds of €15 million together with any Series II Bonds remaining available in the event that the €12 million in Series II Bonds reserved for Existing Noteholders are not taken up in full (See also Section 7.4 below);
Bond Issue Price:	The principal amount or Par Value of the Bond;

Status of the Bonds:	Save for any short to medium term indebtedness created by the Issuer to make up for cash flow shortfalls resulting from the proceeds from the sale of units and garage spaces in the Project which may rank <i>pari passu</i> with the Bonds (see Section 5.12 below), the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and secured obligations of the Issuer, and shall rank <i>pari passu</i> with Series I Bonds, but with priority or preference over all other unsecured indebtedness of the Issuer, if any;
Listing:	The Listing Authority has approved the Series II Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
Closing date for Applications:	21 May 2014 in the case of Existing Noteholders;
Offer Period:	12 May 2014 to 26 May 2014, both days included;
Interest:	6% per annum on the Nominal Value of each Series II Bond;
Interest Payment Date(s):	Annually on 31 July as from 31 July 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.5 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

So far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Issue.

4.6 SECURITY

Each of the Series I Bond and the Series II Bond shall be issued and allotted as secured and Bondholders shall benefit from the following security:

- (a) a first ranking general hypothec over all the assets of the Issuer;
- (b) a first ranking special hypothec over the Hypothecated Property; and
- (c) a pledge on insurance policy proceeds.

The security shall be constituted in favour of the Security Trustee for the benefit of all Bondholders from time to time registered in the CSD.

The Issuer has entered into a Trust Deed with the Security Trustee which consists of the covenants of the Issuer to pay the principal amount under the Bonds on the respective Redemption Dates and interests thereon, the hypothecary rights under the Deed of Hypothec, the rights under the pledge on the insurance policy proceeds and all the rights and benefits under the Trust Deed. The Security Interests will be vested in the Security Trustee for the benefit of the Bondholders in proportion to the holding of Bonds. Pursuant to the provisions of the Trust Deed, the Security Trustee shall retain all proceeds from the Bonds until such time as the Security Interests shall have been duly constituted in favour of the Trustee. No Bonds shall be issued and allotted until the Security Interests have been duly constituted and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

The Security Trustee's role includes holding of the Security Interests for the benefit of the Bondholders and the enforcement of those Security Interests upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Bonds which remain exclusively the obligations of the Issuer, save to the extent that the Trustee shall apply any amounts held to the credit of the Reserve Account, held by it towards the redemption of the Bonds on their respective Redemption Dates.

5 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

5.1 GENERAL

- 5.1.1 Each Series I Bond forms part of a duly authorised issue of 5.5% Secured Bonds 2020 of a Par Value of €100 per Bond issued by the Issuer at par up to the principal amount of €15 million (except as otherwise provided under Section 5.12 “**Further Issues and Further Indebtedness**”).
- 5.1.2 Each Series II Bond forms part of a duly authorised issue of 6% Secured Bonds 2022 of a Par Value of €100 per Bond issued by the Issuer at par up to the principal amount of €27 million (except as otherwise provided under Section 5.12 “**Further Issues and Further Indebtedness**”).
- 5.1.3 The currency of the Bonds is Euro (€).
- 5.1.4 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN: MT0000791203 for the Series I Bond and ISIN: MT0000791211 for the Series II Bond.
- 5.1.5 Unless previously purchased and cancelled, the Bonds shall be redeemable at par on their respective Redemption Dates.
- 5.1.6 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.7 The Offer Period of the Bonds is between 12 May 2014 and 26 May 2014, both days included.
- 5.1.8 Save for the placement arrangements entered into with Charts, the Bond Issues are not underwritten.

5.2 RANKING OF THE BONDS

The Bonds shall, as and when issued, constitute the general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. In addition, the payment of the principal under the Bonds and interests thereon shall be secured by a first-ranking general hypothec over all the Company’s assets, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. The Bonds shall rank *pari passu* as between themselves.

During the course of construction of the Project, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Hypothecated Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect the Issuer has entered into an agreement with PCL, the principal contractor, whereby PCL has, *inter alia* waived its right to register any special privilege over the Hypothecated Property until such time that the Security Interest granted in favour of the Security Trustee and referred to in this Prospectus has been settled and repaid in full. This is intended to minimise the possibility that any real rights are created over the Hypothecated Property that would have the effect of diminishing the value of the Security Interest registered in favour of the Trustee.

As at 31 December 2013, the Company’s only borrowings included an amount of €12 million in the Existing Notes. The Issuer has no bank borrowings made available to it. The land and improvements constructed thereon known as Block 16, and forming part of the project are encumbered by a special hypothec in favour of the Existing Note Trustee as trustee for the Existing Noteholders. The Existing Note Trustee and the Issuer have entered into an agreement pursuant to which the Existing Note Trustee has irrevocably undertaken to cancel all its hypothecary rights arising in its favour for the benefit of the Existing Noteholders against: (a) all the Existing Notes being fully redeemed; (b) all of the Existing Notes being surrendered to the Issuer as a form of payment for the Bonds; or (c) part of the Existing Notes being surrendered as a form of payment for the Series II Bonds and the nominal value of outstanding Existing Notes and interest thereon up to and including 15 January 2015 being deposited with the Existing Note Trustee for the latter to pay out to remaining Existing Noteholders upon the Early Redemption of the Existing Note.

Agreement has also been reached between PVL and Bank of Valletta p.l.c. (“**BOV**”) for the latter to waive all hypothecary rights registered in its favour as security for advances made available to PVL. The hypothecary rights in favour of BOV are registered over the land where each of Block 17 and Towers I & II are to be developed. The release and waiver of the hypothecary rights

arising in favour of BOV shall take place after the close of the Offer Period and upon receipt by BOV of the amount of €5 million. Out of the proceeds of the Bond Issue the Issuer shall pay to PVL the consideration due for the acquisition of the land, which PVL shall delegate the Security Trustee to pay directly to BOV against the release by the latter of all security interests it holds over the Hypothecated Property.

The Hypothecated Property shall thereafter be unencumbered and without any charges registered over the Hypothecated Property. Pursuant to the Trust Deed, the Issuer has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries (“**Registered Beneficiaries**”), a special hypothec over the Hypothecated Property and a general hypothec over all its assets, present and future.

The hypothec will secure the claim of the Trustee, for the benefit and in the interest of Registered Beneficiaries, for the repayment of the principal and interest under the Bonds by a preferred claim over the Hypothecated Property. In addition, the general hypothec will also grant to the Trustee, as additional and further security for the repayment of the Bonds, a preferred and prior ranking claim over all the assets present and future of the Issuer.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Trustee for the benefit of the Registered Beneficiaries will have the benefit of a special hypothec over the Hypothecated Property for the full amount of €42 million and interests thereon in addition to the general hypothec over all the assets, present and future of the Company for the full amount of €42 million.

The Issuer has reserved the right to create further indebtedness which may rank *pari passu* with the Bonds, provided that such indebtedness is created on a short to medium term and for the purpose of bridging any cash flow shortfalls that may arise from the sale of units or garage spaces forming part of the Project (see Section 5.12 below).

Furthermore, PCL being the principal contractor engaged to construct and develop the Project has undertaken to waive its right to inscribe a special privilege in its favour.

5.3 RIGHTS ATTACHING TO THE BONDS

This Securities Note in its entirety contains the terms and conditions of issue of the Bond and creates the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- (i) the payment of capital;
- (ii) the payment of interest;
- (iii) the benefit of the Security Interests through the Security Trustee;
- (iv) the right to attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
- (v) enjoy all such other rights attached to the Bonds emanating from this Prospectus.

No Bonds shall be issued and allotted to investors before the conditions precedent set out in Section 7.2.6 have been duly satisfied.

5.4 INTEREST - SERIES I BOND

5.4.1 The Bonds shall bear interest from and including 27 May 2014 at the rate of 5.5% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 May 2015. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

5.4.2 When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

5.5 INTEREST - SERIES II BOND

- 5.5.1 The Bonds shall bear interest from and including 27 May 2014 at the rate of 6% per annum on the Nominal Value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 31 July 2015. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.
- 5.5.2 When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.
- 5.5.3 An Existing Note Transfer (as defined in Section 7.2.1 below) shall be without prejudice to the rights of the holders of Existing Notes to receive interest on the Existing Notes up to and including 15 January 2015 (being the first early redemption date applicable to the outstanding Existing Notes in terms of the prospectus dated 6 February 2013). The Issuer intends to settle the difference between the interest rates applicable to the Existing Notes (7%) and the interest rate of 6% applicable to the Bonds, from 27 May 2014 up to 15 January 2015 to all persons holding Existing Notes who would have submitted their Application Forms by not later than 21 May 2014 and, consequently, exercising their option to subscribe for Series II Bonds and settle the consideration for Series II Bonds applied for by transferring and surrendering their Existing Notes to the Issuer as mentioned above.

5.6 YIELD

The gross yield calculated on the basis of the interest, the Bond Issue Price and the Redemption Value of:

- (a) The Series I Bonds at Redemption is 5.5%;
- (b) The Series II Bonds at Redemption is 6%.

5.7 REGISTRATION, FORM, DENOMINATION AND TITLE

- 5.7.1 Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 5.7.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.7.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 in the case of both the Series I Bonds and the Series II Bonds, provided that on subscription, the Bonds will be issued for a minimum of €2,000 in the case of both the Series I Bonds and the Series II Bonds, per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.
- 5.7.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**” in Section 5.11 of this Securities Note.

5.8 PAYMENTS

- 5.8.1 Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank

account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

5.8.2 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

5.8.3 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

5.8.4 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

5.8.5 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.9 REDEMPTION AND PURCHASE

5.9.1 Unless previously purchased and cancelled, the Series I Bonds will be redeemed at their Nominal Value (together with interest accrued to the date fixed for redemption) on 31 May 2020.

5.9.2 Unless previously purchased and cancelled, the Series II Bonds will be redeemed at their Nominal Value (together with interest accrued to the date fixed for redemption) on 31 July 2022.

5.9.3 Subject to the provisions of this Section 5.9, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

5.9.4 All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

5.10 EVENTS OF DEFAULT

Pursuant to the Trust Deed, the Security Trustee may in its absolute and uncontrolled discretion, and shall upon the request in writing of not less than seventy five per cent (75%) in value of the Registered Beneficiaries, by notice in writing to the Issuer declare the Bonds, or either the Series I Bond or the Series II Bond to have become immediately due and payable upon the happening of any of the following events:

5.10.1 the Issuer fails to effect the payment of interest under the Bonds on an Interest Payment Date and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

5.10.2 the Issuer fails to pay the principal amount of a Bond on the date fixed for its redemption; and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

5.10.3 the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by a Bondholder;

5.10.4 in terms of section 214(5) of the Act, a Court order or other judicial process is levied or enforced upon or sued out against any part of the property of the Issuer and is not paid out, withdrawn or discharged within one month;

- 5.10.5 the Issuer stops payment of its debts or ceases or threatens to cease to carry on their business;
- 5.10.6 the Issuer is unable to pay its debts within the meaning of section 214(5) of the Act, or any statutory modification or re-enactment thereof;
- 5.10.7 a judicial or provisional administrator is appointed of the whole or any part of the property of the Issuer; and such appointment is certified by the Security Trustee to be prejudicial, in its opinion, to the Bondholders;
- 5.10.8 an order is made or an effective resolution is passed for winding up of the Issuer, except for the purpose of a reconstruction, amalgamation or division, the terms of which have been approved in writing by the Security Trustee;
- 5.10.9 the Issuer substantially changes the object or nature of business as currently carried on;
- 5.10.10 the Issuer commits a breach of any of the covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);
- 5.10.11 the security constituted by any hypothec, pledge or charge upon the whole or any part of the undertaking or assets of the Issuer shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Security Trustee to be in its opinion prejudicial to the Bondholders;
- 5.10.12 any representation or warranty made or deemed to be made or repeated by or in respect of the Issuer is or proves to have been incorrect in any material respect in the sole opinion of the Security Trustee;
- 5.10.13 any material indebtedness of the Issuer is not paid when properly due or becomes properly due and payable or any creditor of the Issuer becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €2 million;
- 5.10.14 any consent, permit, authorisation, licence or approval of, or registration with, or declaration to governmental, statutory or public bodies, or authorities or courts, required by the Issuer in connection with the Project and its development and construction; or pursuant to the execution, delivery, validity, enforceability or admissibility in evidence hereof, or the performance by the Issuer of its obligations hereunder, is substantially modified in the sole opinion of the Security Trustee, or is not granted, or is revoked, or terminated, or expires and is not renewed, or otherwise ceases to be in full force and effect;
- 5.10.15 it becomes unlawful at any time for the Issuer to perform all or any of its obligations hereunder or to develop the Project or to continue with the development of the Project;
- 5.10.16 the Issuer repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed; or
- 5.10.17 all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

Upon any such declaration being made as aforesaid the said principal monies and interest accrued under the Bonds shall be deemed to have become immediately payable at the time of the event which shall have happened as aforesaid.

PROVIDED THAT in the event of any breach by the Issuer of any of the covenants, obligations or provisions herein contained due to any fortuitous event of a calamitous nature, beyond the control of the Issuer then the Security Trustee may, but shall be under no obligation so to do, give the Issuer such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided that in the circumstances contemplated by this proviso the Security Trustee shall at all times act on and in accordance with any instructions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed.

The Security Trustee shall not be bound to take any steps to ascertain whether any event of default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such event of default or condition, event or other circumstance has happened and that the Issuer is observing and performing all the obligations, conditions and provisions on their respective parts contained in the Bonds and the Trust Deed.

5.11 TRANSFERABILITY OF THE BONDS

- 5.11.1 The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- 5.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 5.11.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 5.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

5.12 FURTHER ISSUES AND FURTHER INDEBTEDNESS

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds on the Collateral.

The Issuer may incur further indebtedness on a short to medium term basis that may rank *pari passu* with the Bonds for the purpose of bridging any cash flow shortfalls arising from the proceeds of sales from the Project.

5.13 MEETINGS OF BONDHOLDERS

The Issuer may, through the Security Trustee, from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds, including any change to a material term of issuance of the Bonds or the Prospectus.

- 5.13.1 No change to the applicable Terms and Conditions of Series I Bonds or any terms of this Prospectus which has an effect of Series I Bonds may be made unless such decision is made at a meeting of Series I Bondholders duly convened and held.
- 5.13.2 No change to the applicable Terms and Conditions of Series II Bonds or any terms of this Prospectus which has an effect of Series II Bonds may be made unless such decision is made at a meeting of Series II Bondholders duly convened and held.
- 5.13.3 A meeting of Bondholders shall be called by the Directors, through the Security Trustee, by giving all Bondholders

listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

- 5.13.4 The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.5 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 50% in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.6 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.13.7 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 5.13.8 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer and the Security Trustee.
- 5.13.9 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% in Nominal Value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 5.13.10 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.14 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issues pursuant to a board of directors' resolution passed on 24 March 2014.

5.15 NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of

twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

6 TAXATION

6.1.1 General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

6.1.2 Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the Bondholder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual’s tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

6.1.3 European Union Savings Directive

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

6.1.4 Maltese taxation on capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, no tax on capital gains is chargeable in respect of transfer of the Bonds.

6.1.5 Duty on documents and transfers

In terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

7 TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1. Application Forms mailed to holders of Existing Notes as at the Cut-Off Date	6 May 2014
2. Closing date for Applications to be received from holders of Existing Notes as at the Cut-Off Date	21 May 2014
3. Placement date	26 May 2014
4. Close of Offer Period	26 May 2014
5. Offer Period	12 May 2014 to 26 May 2014
6. Commencement of interest on the Bonds	27 May 2014
7. Expected date of constitution of Security Interests	4 June 2014
8. Expected dispatch of allotment advices	5 June 2014
9. Expected date of admission of the securities to listing	5 June 2014
10. Expected date of commencement of trading in the securities	6 June 2014

7.2 TERMS AND CONDITIONS OF APPLICATION

7.2.1 Existing Noteholders applying for Series II Bonds shall settle the amount due for the Nominal Value of the Series II Bonds applied for by completing a pre-printed Application Form indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Existing Notes held as at the Cut-Off Date in an amount equivalent to the Par Value of the Bonds applied for, subject to a minimum application of €2,000 (“**Existing Note Transfer**”).

7.2.2 By submitting a signed Application Form indicating that the Existing Note Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:

- i. that all or part (as the case may be) of the Existing Notes held by the Applicant on the Cut-Off Date are being surrendered to the Issuer;
- ii. that the pre-printed Application Form, as the case may be, constitutes the Applicant’s irrevocable mandate to the Issuer to:
 - a. cause the transfer of the said Existing Notes in the Issuer’s name in consideration of the issue of Series II Bonds;

- and
- b. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Existing Notes in the Issuer and fully and effectively vest title in the appropriate number of Series II Bonds in the Applicant;
 - iii. the obligations of the Issuer with respect to the Existing Notes being surrendered and transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer under the Series II Bonds to be issued upon acceptance by the Issuer of the Application in question.

7.2.3 By acquiring Secured Bonds through Charts or a financial intermediary, an investor is thereby confirming to the Issuer and to Charts or the financial intermediary through whom the Application is made that: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application, and furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

7.2.4 Where the Applicant is the holder of Existing Notes which as at the Cut-Off Date are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required in the Application Form.

7.2.5 The subscription of Bonds being effected by Existing Note Transfer must be submitted on the appropriate pre-printed Application Form by not later than 14.00 hours on 21 May 2014. The completed pre-printed Application Form is to be lodged with Charts or any financial intermediary.

7.2.6 The issue and allotment of the Bonds is conditional upon:
(a) the Bonds being admitted to the Official List of the MSE; and
(b) the Security Interests being constituted in favour of the Security Trustee.
In the event that either of the conditions set out above is not satisfied within 15 Business Days of the Close of the Offer Period, no Existing Note Transfers (see Section 7.2.1 above) shall take effect, and any Application monies received by the Trustee shall be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.

7.2.7 The subscription lists during the Offer Period will open at 08:30 hours on 12 May 2014 and will close soon thereafter as may be determined by the Issuer, but in any event no later than 16:00 hours on 26 May 2014.

As indicated in Section 4.1 above under the heading "**Reasons for the Issue and Use of Proceeds**", the Existing Notes shall be redeemed out of the proceeds of the Bond Issue. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

7.2.8 The contract created by the Issuer's or Registrar's acceptance of an Application filed by a prospective Bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer, including the conditions precedent set out in Section 7.2.6.

7.2.9 If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

7.2.10 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be

deemed to be such nominated person by all those joint holders whose names appear in the field entitled “Additional Applicants” in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

- 7.2.11 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.2.12 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 7.2.13 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.2.14 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.2.15 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.2.16 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application received from Existing Noteholders, including multiple or suspected multiple Applications. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.2.17 The Series I Bonds will be issued in multiples of €100. The minimum subscription amount of Series I Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.18 The Series II Bonds will be issued in multiples of €100. The minimum subscription amount of Series II Bonds that can be subscribed for by Applicants is €2,000.
- 7.2.19 Within 1 business day from closing of the Offer Period, the Issuer shall announce the result of the Issue.
- 7.2.20 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, Chats and financial intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Code of Conduct for Members of the Malta Stock Exchange” appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the financial intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.

7.2.21 By purchasing and acquiring Bonds through Charts or a financial intermediary, the Applicant:

- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- b warrants that the information submitted by the Applicant to Charts or a financial intermediary in an Application Form or otherwise submitted to a financial intermediary through whom an Application is submitted is true and correct in all respects and in the case where an MSE account number is indicated, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) provided by an Applicant and those held by the MSE in relation to the MSE account number indicated, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- c authorises Charts or the financial Intermediary through whom an application is made, the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Existing Notes, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j agrees that Charts will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as provided by the Applicant;
- l renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.3 PLAN OF DISTRIBUTION AND ALLOTMENT

All Bonds have been conditionally subscribed by Charts pursuant to the Placement Agreement, save for such portion of the Series II Bond which has been reserved for Existing Noteholders wishing to exchange their Existing Notes in settlement of the purchase consideration of Series II Bonds.

7.3.1 The Series I Bond Issue

The Series I Bond Issue, which has a total value of €15 million, has been fully subscribed by Charts, pursuant to the Placement Agreement, for distribution to its customers and other financial intermediaries.

7.3.2 The Series II Bond Issue

The Series II Bond has been reserved for subscription as follows:

- i. Holders of Existing Notes who wish to settle the consideration due by the transfer to the Issuer of all or part of the Existing Notes held by such Applicant as at the Cut-Off Date, must do so by submitting an Application Form. The amount so reserved is equivalent to the amount outstanding on the Existing Notes, namely €12 million.
- ii. The remaining balance of the Series II Bonds equivalent to €15 million, together with any Series II Bonds not taken up by Existing Noteholders under (i) above, have been placed with Charts for distribution to its customers and other financial intermediaries.

In each case, subscription amounts made through Charts and any financial intermediary shall be in multiples of €100 in both the case of the Series I Bonds and the Series II Bonds, subject to a minimum subscription amount of €2,000 in both the case of the Series I Bonds and the Series II Bonds.

It is expected that an allotment advice will be dispatched to Applicants by 5 June 2014. The registration advice and other documents may be retained pending surrender of the Existing Notes, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

7.4 PLACEMENT AGREEMENT

The Issuer entered into a conditional private placement agreement with Charts on 30 April 2014, whereby the Issuer bound itself to allocate to Charts, which has bound itself to purchase, Bonds amounting to an aggregate value of €15 million in the Series I Bond and €15 million in the Series II Bond on 26 May 2014 (the “**Placement Agreement**”). In terms of the Placement Agreement, Charts will also subscribe to any Series II Bonds reserved for Existing Noteholders and not subscribed for by 21 May 2014.

The Placement Agreement entered into on 30 April 2014 is conditional on (i) the Bonds being admitted to listing on the Malta Stock Exchange; and (ii) the Security Interests being duly constituted in favour of the Security Trustee.

7.5 PRICING

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription.

7.6 ALLOCATION POLICY

The Issuer shall allocate all Series I Bonds and €15 million Series II Bonds to Charts pursuant to the Placement Agreement, upon this becoming unconditional. Charts shall also subscribe to such number of Series II Bonds, reserved for Existing Noteholders for the purpose of exchange of the Existing Notes, in the event that Existing Noteholders shall not take up all of the €12 million Series II Bonds reserved for this purpose.

7.7 ADMISSION TO TRADING

- 7.7.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 5 May 2014.
- 7.7.2 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- 7.7.3 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 5 June 2014 and trading is expected to commence on 6 June 2014.

ANNEX I - SPECIMEN APPLICATION FORM

Pendergardens Developments p.l.c. €27 MILLION 6% SECURED BONDS 2022 Existing Holders of Pendergardens Developments p.l.c. €12 million 7% Secured Notes 2015-2019	APPLICATION FORM Application Number
---	---

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

APPLICANT			
A	<input type="checkbox"/> Non-Resident <input type="checkbox"/> CIS-Prescribed Fund <input type="checkbox"/> Minor (under 18) <input type="checkbox"/> Body Corporate/Body of Persons		
B			
MSE A/C NO. (if applicable)		I.D. CARD/PASSPORT/COMPANY REG. NO.	TEL. NO.
MOBILE NO.			
C	Nominal value of Pendergardens Developments p.l.c. 7% Secured Notes 2015-2019 (the "Existing Notes") held as at 5 May 2014 (the "Cut-Off Date").		AMOUNT IN FIGURES Box 1 €
I/We apply to purchase and acquire the amount set out below in Pendergardens Developments p.l.c. 6% Secured Bonds 2022 at the Bond Offer Price (at par) pursuant to the Prospectus dated 5 May 2014 (minimum subscription of €2,000 and in multiples of €100 thereafter).			
AMOUNT IN WORDS:		AMOUNT IN FIGURES Box 2	
		€	
D ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)			
TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.	
TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.	
E MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)			
i	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
ii	TITLE (MR/MRS/MS/....)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
F RESIDENT - WITHHOLDING TAX ON DECLARATION (see note 10) (to be completed ONLY if the Applicant is a Resident of Malta)			
<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.			
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).			
G NON-RESIDENT – DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)			
TAX COUNTRY	TOWN OF BIRTH	TIN (TAX IDENTIFICATION NO.)	
NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	COUNTRY OF ISSUE	ISSUE DATE
<input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.			
<input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.			
H INTEREST MANDATE (see note 10) (completion of this panel is MANDATORY)			
BANK	IBAN		
This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the Pendergardens Developments p.l.c. 6% Secured Bonds 2022 being applied for, to transfer to the Issuer all or part of the Existing Notes held by the Applicant as at the Cut-Off Date for the nominal value set out in Box 1 of Panel C above. By submitting this signed Application Form, the Applicant is thereby confirming that:			
a. All or part (as the case may be) of their holding of the Existing Notes indicated in this Application Form are being surrendered in favour of the Issuer for cancellation; and			
b. This pre-printed Application Form constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to:			
i. surrender the said Existing Notes in the Issuer's favour for cancellation in consideration for the issue of 6% Secured Bonds 2022 applied for; and			
ii. engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Secured Bonds 2022 in the Applicant/s.			
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions as contained therein which I/we fully accept.			
_____ Signature/s of Applicant/s		_____ Date	
(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application)			

Financial intermediary's stamp

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 Financial intermediary's code

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 5 May 2014

1. This application is governed by the Terms and Conditions contained in the Prospectus. Capitalised terms not defined herein, shall unless the context otherwise requires, have the same meaning as that assigned to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Existing Notes (see note 6 below).
4. Interest and redemption proceeds will be issued in the name of the person indicated in Panel B overleaf. In the case of an application by more than one person (including husband and wife) full details of all individuals - including I.D. card numbers - must be given in Panels B and D but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (see note 10 below).
5. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the Pendergardens Developments p.l.c. 6% Secured Bonds 2022 being applied for, to transfer to the Issuer all or part of the holding in the Existing Notes held by the Applicant as at the Cut-Off Date the nominal value of which is set out in Box 1 of Panel C overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
 - a. All or part (as the case may be) of their holding of Existing Notes indicated in this Application Form are being surrendered in favour of the Issuer for cancellation; and
 - b. The pre-printed Application Form constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to:
 - i. Surrender the said Existing Notes in the Issuer's favour for cancellation in consideration for the 6% Secured Bonds 2022 applied for; and
 - ii. Engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Secured Bonds 2022 in the Applicant/s.
7. The amount set out in Box 2 of Panel C overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by the holders of Existing Notes up to the full amount of Existing Notes being transferred to the Issuer.
8. Applicants who are Non-Residents in Malta for tax purposes must complete Panel G overleaf. The relative box in Panel A must also be marked appropriately.
9. In the case where a holder of Existing Notes is a body corporate, Application Forms must be signed by a duly authorised representative/s indicating the capacity in which s/he/they are signing.
10. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
11. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro details of which are to be indicated in Panel H overleaf.

In terms of Section 6 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Completed Application Forms are to be delivered to any financial intermediary, during normal office hours by not later than 14:00 on 21 May 2014. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 21 May 2014 will not be accepted.
14. By completing and delivering an Application Form you (as the Applicant(s)):
 - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the 6% Secured Bonds 2022 applied for; and
 - c. acknowledge that you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the 6% Secured Bonds 2022 on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

The Directors
Pendergardens Developments p.l.c.
GB Buildings, Triq il-Watar
Ta'Xbiex XBX 1301
Malta

5 May 2014

Dear Sirs

Pendergardens Developments p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Pendergardens Developments p.l.c. (the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

- a. Historical financial data for the period 5 November 2012 (being date of incorporation) to 31 December 2013 has been extracted from the audited financial statements of the Company for the period in question.
- b. The forecast data of the Company for the years ending 31 December 2014 and 31 December 2015 has been provided by management of the Company.
- c. Our commentary on the results of the Company and on its financial position is based on the explanations provided by the Company.
- d. The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e. Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Company. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company's securities.

Yours faithfully,



Wilfred Mallia
Director

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PART 1

1. COMPANY’S KEY ACTIVITIES

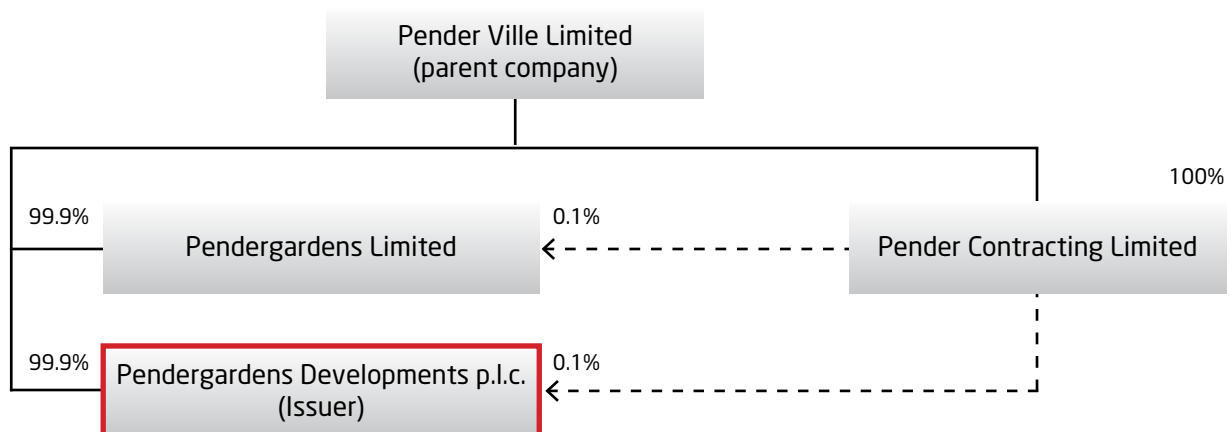
The principal activity of the Pendergardens Developments p.l.c. (the “**Company**” or “**Issuer**”) is to carry on the business of a property development company. In January 2013, the Company acquired a plot of land forming part of Pendergardens and measuring *circa* 1,379m². Following the issuance of €12 million in debt securities in February 2013, the Company proceeded with the construction on said site of 46 residential apartments, 971m² of retail area and car park spaces (“**Block 16**”).

The Company is in the process of acquiring a second parcel of land, adjacent to Block 16, having a footprint of 3,217m². It is planned to construct two properties known as Block 17 and Towers I & II, and will include 73 residential apartments, 7 floors of office space, commercial premises and car park spaces. The proposed development is covered by full MEPA development permits and therefore construction will commence shortly after the bond offering detailed in the Securities Note dated 5 May 2014.

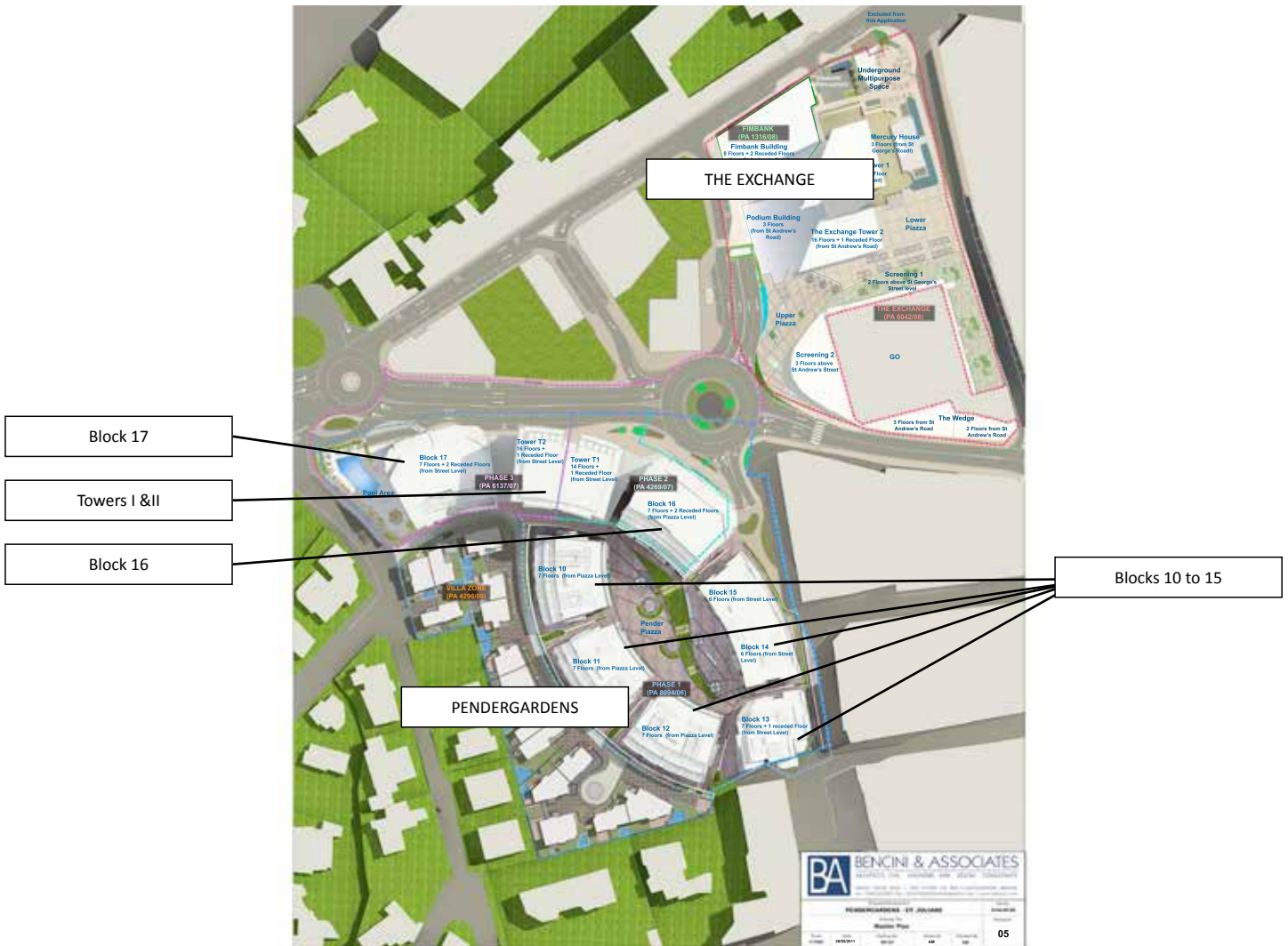
2. PENDERGARDENS GROUP

2.1 ORGANISATIONAL STRUCTURE

The Company was incorporated in November 2012 and forms part of the Pendergardens Group as set out in the Group organisational structure hereunder:



The parent company of the Group is Pender Ville Limited. It was set up in July 2005 by a consortium of investors to acquire and develop Pender Place (“Pendergardens”) and Mercury House (“The Exchange”) in St Julians, each site measuring 18,500m² and 8,500m² respectively. The acquired area is depicted in the site plan below:



Site Plan: Pendergardens and The Exchange

Pender Ville Limited commenced development of 150 residential apartments spread over 6 blocks (known as Blocks 10 to 15) together with underlying car park spaces in the first quarter of 2007. All apartments were sold over a 6-year period except for one apartment which was not placed on the market due to its proximity to the Towers I & II which are yet to be built. It is currently being used by the Pendergardens Group as its head office.

In a bid to proceed with the development of the remaining part of Pendergardens, the Block 16 site was transferred in December 2012 to Pendergardens Developments p.l.c. The Company issued €12 million in debt securities and initiated construction of Block 16 in the first quarter of 2013.

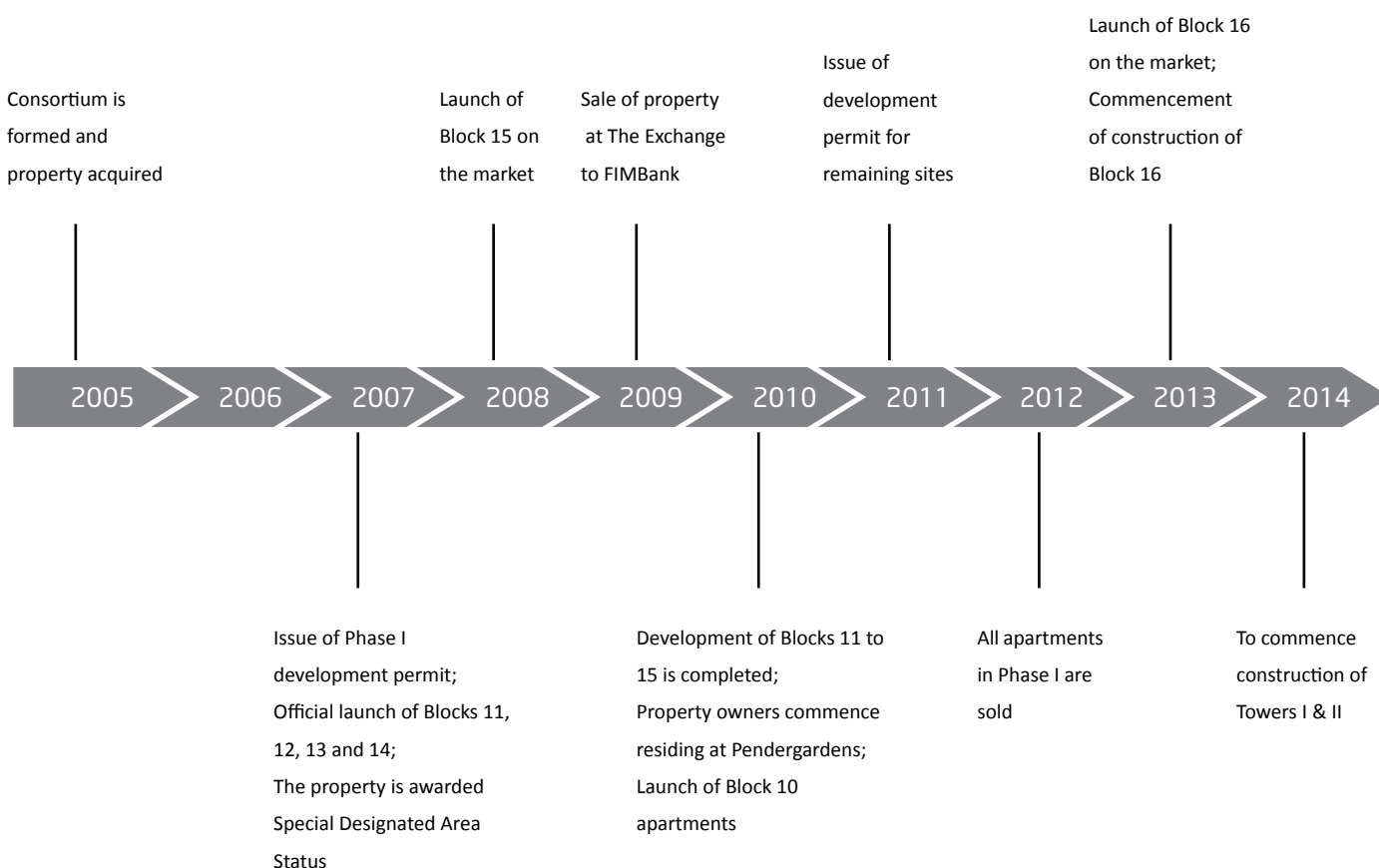
Pursuant to the bond offer detailed in the Securities Note dated 5 May 2014, the Company will acquire from Pender Ville Limited the last remaining parcel of land at Pendergardens measuring 3,217m² to enable the former to construct and develop Block 17 and Towers I & II.

The Exchange is earmarked for commercial use and will be promoted as a financial and business centre. It will consist of 16,700m² of office space within two towers and 10,800m² of retail and leisure outlets fronting a large public piazza. In 2009, an area measuring 950m² was sold to FIMBank plc and the Pendergardens Group was entrusted with the construction of the property which was completed in 2012.

Pendergardens Limited is a subsidiary company of the Pendergardens Group and owns a portion of land measuring 4,300m² forming part of Pendergardens. The said site is intended for the development of 15 detached and semi-detached villas.

Pender Contracting Limited was incorporated in February 2006 principally to act as the main contractor to execute the construction and development of Pendergardens and The Exchange. Currently, the company is involved in the construction of Block 16 which is expected to be completed in 2015. Pursuant to the bond offering detailed in the Securities Note dated 5 May 2014, Pender Contracting Limited will initiate development of Block 17 and Towers I & II in the third quarter of 2014.

2.2 KEY EVENTS



2.3 PHASE I TIMELINE

As detailed in the table below, Phase I was sold over a 6-year period, except for one apartment which was kept as Group head office. The total sales proceeds including 181 car park spaces sold during the period amounted to €43.4 million.

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 10 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements					14	9		23
Contract value incl. car spaces (€'000)					4,911	3,576		8,487

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 11 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	16		3	3		2		24
Contract value incl. car spaces (€'000)	4,639		1,392	833		1,120		7,984

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 12 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	14	1	1	5	1	2		24
Contract value incl. car spaces (€'000)	4,110	587	245	1,690	240	1,120		7,992

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 13 – 24 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	13	1	1	2	5	2		24
Contract value incl. car spaces (€'000)	3,467	350	288	1,173	1,555	598		7,431

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 14 – 27 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements	25	1			1			27
Contract value incl. car spaces (€'000)	4,890	210			285			5,385

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Block 15 – 27 units								
Construction and Development								
Marketing of units								
Preliminary sale agreements		8	1	7	11			27
Contract value incl. car spaces (€'000)		1,380	152	1,757	2,804			6,093

3. DIRECTORS AND SENIOR MANAGEMENT

The Company is managed by a Board consisting of five directors entrusted with the overall direction and management of the Company.

Board of Directors

Edmund Gatt Baldacchino	Chairman
Edward Licari	Deputy Chairman
John Attard	Director
Philip Farrugia	Director
Joseph FX Zahra	Director

The Company has no employees and therefore is reliant on the resources made available by its parent company, Pender Ville Limited. The names and responsibilities of the latter’s senior management are set out hereunder:

Senior Management

Peter Diacono	Chief Executive Officer
Robert Darmanin	Financial Controller
Michael De Maria	Sales & Marketing Manager
Ernest Debono	Cost Manager & Quantity Surveyor

4. MAJOR ASSETS & OPERATIONAL DEVELOPMENT OF THE COMPANY



4.1 PHASE II - BLOCK 16

Pendergardens Developments p.l.c. was incorporated in November 2012 to acquire from its parent company, Pender Ville Limited, a parcel of land measuring 1,379m² for the purpose of constructing and developing Block 16. The acquisition took place on 8 January 2013 for a total amount of €4,755,460. In consideration, the Company issued ordinary shares amounting to €3,294,460 and transferred the balance of €1,461,000 to a shareholder's loan account, which is unsecured and interest free.

In February 2013, the Company raised €12 million through an issuance of debt securities and entered into a fixed price contract with a fellow subsidiary, Pender Contracting Limited, for €10.02 million (excluding VAT) to construct and develop Block 16 over a period of 30 months.

When completed, Block 16 will comprise 46 apartments, 4 levels of underlying car spaces and *circa* 971m² of retail area which will be split into a number of retail outlets depending on the requirements and specifications of prospective tenants. In aggregate, Block 16 will have a gross floor area of 16,404m².

As at the date of this report, civil works on the underlying car park, the commercial units and the apartments at Level 0 to Level 2 (out of 9 levels) are complete. Construction on the remaining floors is ongoing, and mechanical & electrical installations have commenced.

Interest from prospective investors in Block 16 units has been positive and as at the date of this report, the Company has entered into preliminary sale agreements for 24 units, equivalent to final sales proceeds of €6.9 million (being 39% of expected revenue from Block 16). The following table illustrates the mix of apartments in Block 16 and the remaining units available for sale.

Phase II - Block 16 Residential	No. of units	PSA ¹	Remaining units
1-bedroom unit	10	10	-
2-bedroom unit	16	9	7
2-bedroom duplex unit	2	-	2
3-bedroom duplex penthouse	2	-	2
3-bedroom duplex unit	14	3	11
3-bedroom penthouse	2	2	-
	-----	-----	-----
	46	24	22
	=====	=====	=====

¹ Units subject to preliminary sale agreements.

4.2 PHASE II - BLOCK 17 AND TOWERS I & II

Following the encouraging response received from the real estate market with the launch of Block 16 in 2013, the promoters of Pendergardens resolved to proceed with the construction of the remaining parcel of land measuring 3,217m², known as Block 17 and Towers I & II, to complete the Pendergardens project.

In 2014, the Company entered into the following agreements:

- A preliminary agreement has been entered with Pender Ville Limited to acquire from Pender Ville Limited the site on which Block 17 and Towers I & II will be developed, and a novation agreement has been entered with Pender Ville Limited and Pender Contracting Limited to settle for works carried out on the subject site by Pender Contracting Limited, for an aggregate consideration of €13.27 million. The cash consideration shall amount to €8.95 million and will be payable out of the proceeds of the bond offer described in the Securities Note dated 5 May 2014. The remaining balance for the

- execution of the transaction of €4.32 million will be settled through the issue of ordinary shares of the Company;
- A fixed price contract has been concluded with Pender Contracting Limited for the construction and development of Block 17 and Towers I & II for an aggregate amount of €35.85 million. Pursuant to this contract, the stipulated price cannot be amended and accordingly, any cost overruns will be borne by Pender Contracting Limited;
 - An agreement has been entered between the Company and Pender Ville Limited, whereby it was agreed that a shareholder's loan amounting to €1.46 million due to Pender Ville Limited is settled through the issue of ordinary shares to Pender Ville Limited in the Company.

Construction of Block 17 and Towers I & II is expected to take *circa* 4 years and should be completed in the first semester of 2018. Both properties will have four levels of car park spaces below ground level, and two levels above ground of commercial and retail space totalling 14,637m². As from Level 1, Block 17 will comprise eight floors of residential units and Towers I & II will include seven levels of office space (6,564m²) and a further eight levels of residential units. Tower II will extend for an additional two floors, which will be developed as duplex units. It is planned that the offices and residences in Towers I & II will maintain separate entrances, lobbies and lifts. 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 it will be marketed to a higher segment of client.

The table below shows the proposed mix of residential units available in Block 17 and Towers I & II:

Phase II - Block 17 and Towers I & II Residential	Block 17 units	Towers I & II units	Total units
1-bedroom unit	20	-	20
2-bedroom unit	21	-	21
3-bedroom unit	-	28	28
3-bedroom duplex penthouse	2	2	4
	-----	-----	-----
	43	30	73
	=====	=====	=====

4.3 PHASE II - SALES STRATEGY AND PROJECTIONS

Phase II in the development of Pendergardens will encompass Block 16, Block 17 and Towers I & II. Block 16 and Block 17 residences will include 89 apartments ranging from 1-bedroom units to 3-bedroom duplex penthouses, while 28 3-bedroom units and 2 3-bedroom duplex penthouses are planned for Towers I & II.

Marketing of Block 16 units commenced in 2013 and as outlined in section 4.1 above, 24 out of 46 units are subject to preliminary sale agreements. As to the price range of units and level of finishes, the Directors were guided by the experience obtained in the past 6 years whilst marketing 149 apartments in Phase I. The launch of Block 17 residences, which is earmarked to take place in 2016, will be based on the same strategy adopted for Block 16.

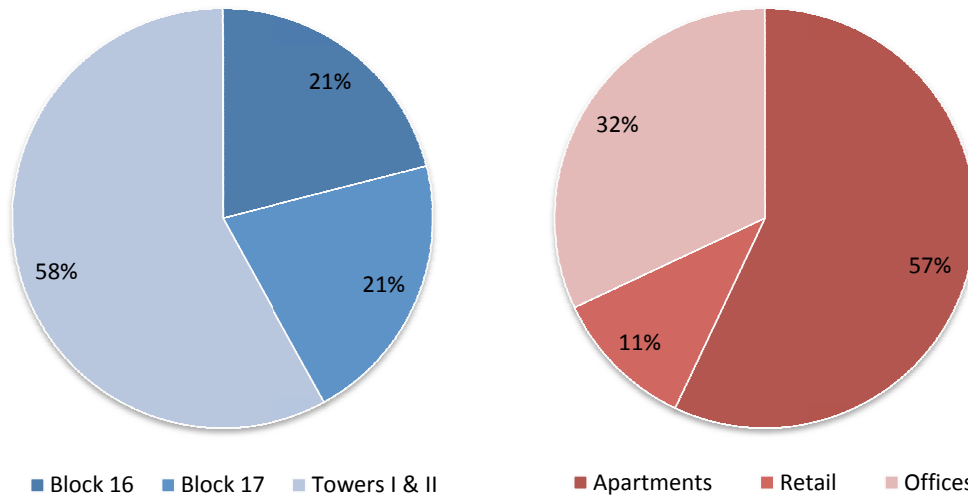
The pricing strategy for Towers I & II residences has been devised to target the higher-end of the market and the level of finish will be significantly superior to other part of the development, reflective of market expectations for such apartments. It is expected that Towers I & II apartments will be marketed in mid-2017.

In addition to residential units, Phase II includes the development of a total commercial gross area of 15,973m². Block 16 and 17 will offer 7,189m² of gross retail space which will be segregated into retail outlets according to requirements of respective tenants. Towers I & II will encompass retail outlets (gross area of 2,220m²) and 6,564m² (gross area) of office space spread on 8 floors. As the flagship property of Pendergardens, all common and external areas will be finished to a very high level and generators will be installed to provide power supply to the offices in the event of grid power failure.

Complementing the above properties are car park spaces reserved for residents and tenants within the underground parking facilities. Furthermore, Pendergardens will be providing public parking facilities to accommodate clients of respective tenants and an additional 137 car park spaces will be rented to a third party car park operator for use by the general public.

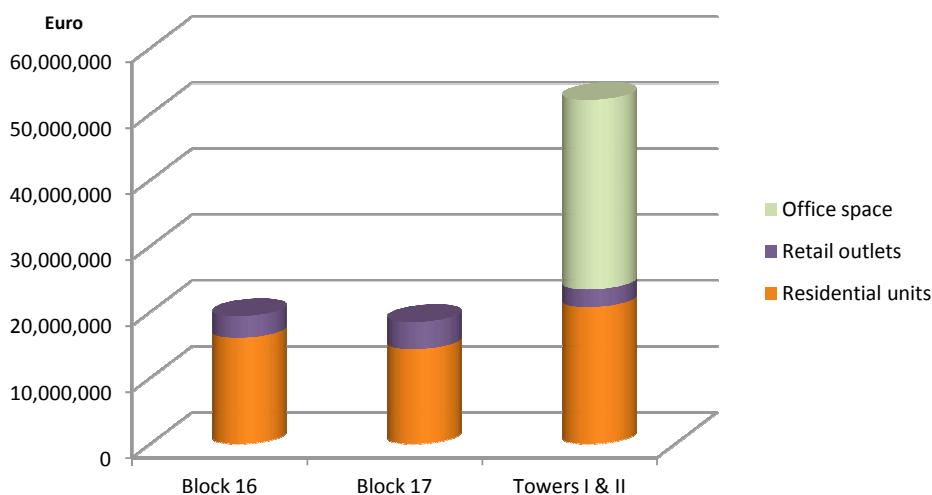
In total Phase II will comprise, when complete, 119 residential apartments, circa 4,500m² (net area) of commercial/retail area, circa 6,000m² (net area) of office space and 367 car park spaces, of which, 137 car park spaces will be leased to a third party operator. If this stock, excluding 137 car park spaces assigned for public parking, achieves the indicative sales prices formulated by management, the Company would generate from its realisation, total sales revenue of €84.24 million after deducting sales commissions. In the interim period until the office space is fully sold, the projections assume that the Company will offer such area on a lease basis and will generate revenue in the region of €4.36 million. The Company will also generate €1.30 million through the leasing of car park spaces.

The pie-charts below provide a segmental analysis of projected proceeds from sales & leases. The first pie-chart shows that of the 3 properties to be developed, the Company expects to generate 58% of total revenue from Towers I & II, whereas Block 16 and Block 17 are projected to contribute the same percentage amount of revenue (21%). As to the second pie-chart, the Company will be reliant mostly on sales of residential apartments (57%), followed by office space (32%) and retail space (11%).



On a per property basis, revenue generated from Block 16 and 17 will be predominantly derived from sales of residential units, as shown in the chart below. With respect to Towers I & II, sales revenue is largely expected to be realised from the disposal of apartments (40%) and office space (55%). In aggregate, revenue generated from the sale of retail outlets is expected to represent 11% of total income.

Projected sales inflows by property



The following table illustrates the projected proceeds from sales and leases of units, net of applicable commissions, generated from Phase II.

PHASE II	2014	2015	2016-22	Total
Proceeds from sales and leases	€000	€000	€000	€000
Apartments & car spaces ¹	1,062	8,466	41,444	50,972
Commercial area & car spaces	-	-	33,266	33,266
Total proceeds from sales (net of commissions)	1,062	8,466	74,710	84,238
Commercial leases	-	-	5,658	5,658
Total proceeds (net of commissions)	1,062	8,466	80,368	89,896

¹ As at 31 December 2013 the Company received net proceeds of €0.7 million in relation to preliminary sale agreements.

The table below outlines the timeline for the construction of each of the three properties relating to Phase II of Pendergardens, and the expected sales tempo thereof.

Phase II Construction & Sales Timeline

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Block 16										
Construction and Development										
Sales – Residential										
Sales – Retail Space										

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Block 17										
Construction and Development										
Sales – Residential										
Sales – Retail Space										

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Towers I & II										
Construction and Development										
Sales - Residential										
Leases – Office space										
Sales – Retail & Office space										

4.4 PHASE II - PROJECT FUNDING

The program of development works relating to Phase II commenced in 2013 and will extend over the period to first semester of 2018, during which the Company will undertake a cash investment in the region of €64 million. Such figure excludes the value of civil works already executed and settled up to 31 December 2013 on Block 16 which amounted to €3.5 million. A breakdown of estimated development expenditure to complete Phase II and expected funding sources thereof is provided below:

Completion of Phase II	€'000
Expenditure programme	
Cash consideration paid on acquisition of land from Pender Ville Limited	(8,953)
Fixed price contracts: Block 16 (payments to completion)	(6,418)
Fixed price contracts: Block 17 and Towers I & II	(35,847)
Non refundable VAT on development costs (in development phase)	(4,754)
Net finance costs in construction period (2014-17)	(7,329)
Operating expenses in construction period (2014-17)	(297)

Total estimated cash outflows to completion of Phase II	(63,598)
	=====
Sources of funding	
Own funds – cash in hand as at 1 January 2014	8,247
Sales proceeds (net of commissions and provisional tax)	26,101
Proceeds of the Bond Issue, net of issue expenses	41,250
Redemption of 7% Secured Notes 2015-2019 issued pursuant to a prospectus dated 6 February 2013	(12,000)

Total funding requirement	63,598
	=====

Funding requirements for the development of Phase II are expected to amount to €63.60 million and will be mainly funded from proceeds of the issuance of debt securities, own funds and unit sales as follows:

- Pursuant to a Securities Note dated 5 May 2014, the Company will be issuing €42 million in bonds, out of which, €12 million will be utilised to repay outstanding debt securities amounting to €12 million. After deducting issue expenses, the Company will have available funds at its disposal of €29.25 million;
- In 2013, the Company had raised €12 million through an issue of Notes earmarked for the development of Block 16. A portion of the funds have been used to settle construction works carried out in 2013 and as at 1 January 2014, the remaining cash balance amounted to €8.25 million. Such funds will be directed by the Company towards the completion of Block 16;
- An amount of €26.10 million from net sales proceeds shall be utilised for the construction of Block 17 and Towers I & II. It is envisaged that such funds will be generated from net sales of Block 16 residential and commercial units, estimated at €17.65 million, and the remaining balance from deposits received on preliminary sales agreements as well as from

proceeds derived from final sales contracts of units in Block 17 and Towers I & II.

The above cash inflows will be utilised principally to settle the remaining balance due on the fixed price contracts entered into with Pender Contracting Limited for the development of Phase II, valued at €42.26 million. Furthermore, the Company shall use €9.0 million to settle the cash consideration relating to the acquisition of Block 17 and Towers I & II. During the period of development, it is expected that the Company will absorb non refundable VAT amounting to €4.75 million and projected net finance costs incurred during the construction period is estimated at €7.33 million.

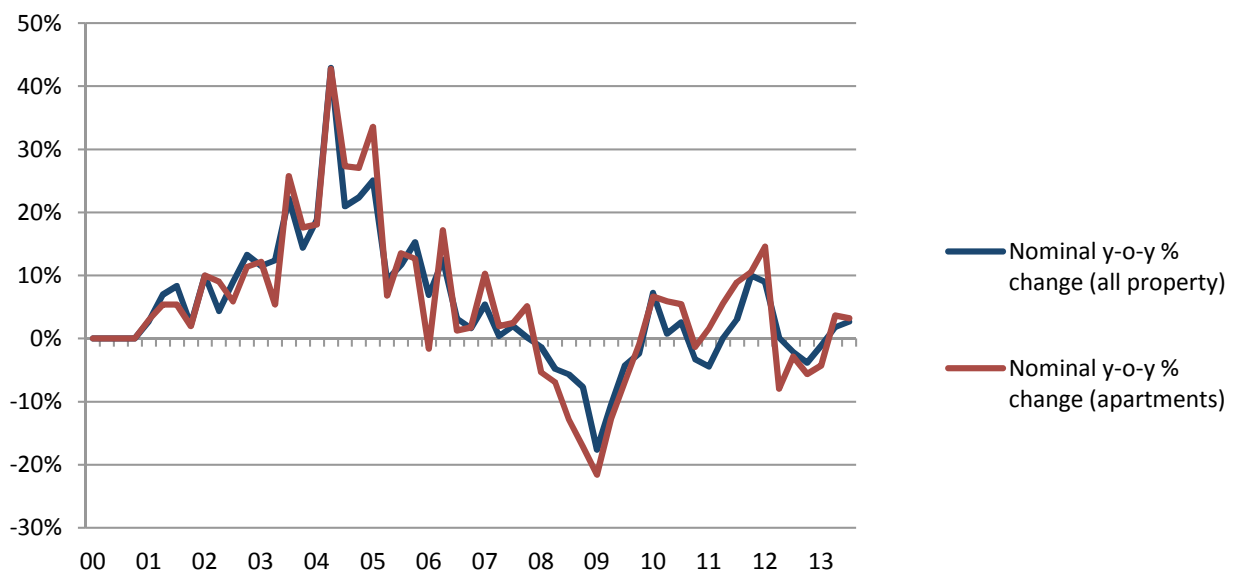
4.5 PROPERTY MARKET

Performance of the property market in Malta has been modest in the past few years and has not fully recovered from the sharp fall registered in 2009. However, certain niche areas such as higher quality properties were more resilient and continue to perform reasonably well, partly due to various incentives implemented by Government to encourage purchases by foreign investors.

Malta experienced a brief housing boom between 2002 and 2005, and continued to grow at a more normalised rate from 2005 to 2007. Similar to other European countries, the Maltese property market declined considerably in the following two years as a result of the global financial crisis. Performance in the years 2010 to 2013 was relatively stable but still significantly below activity levels registered in 2007.

An analysis of property price movements is shown in Chart I below and is based on the Central Bank of Malta’s residential property price index, which tracks movements in advertised residential property prices. From 2000 to 2007, the Maltese property market enjoyed strong growth, with the overall house price index rising by 78.9%. Over the same period, apartment prices rose by 83.3%. By 2009, the house price index retracted 7.6% and apartment prices declined by 11.5%. Since 2010, property prices have recovered 1.8% and that of apartments improved by 3.7%.

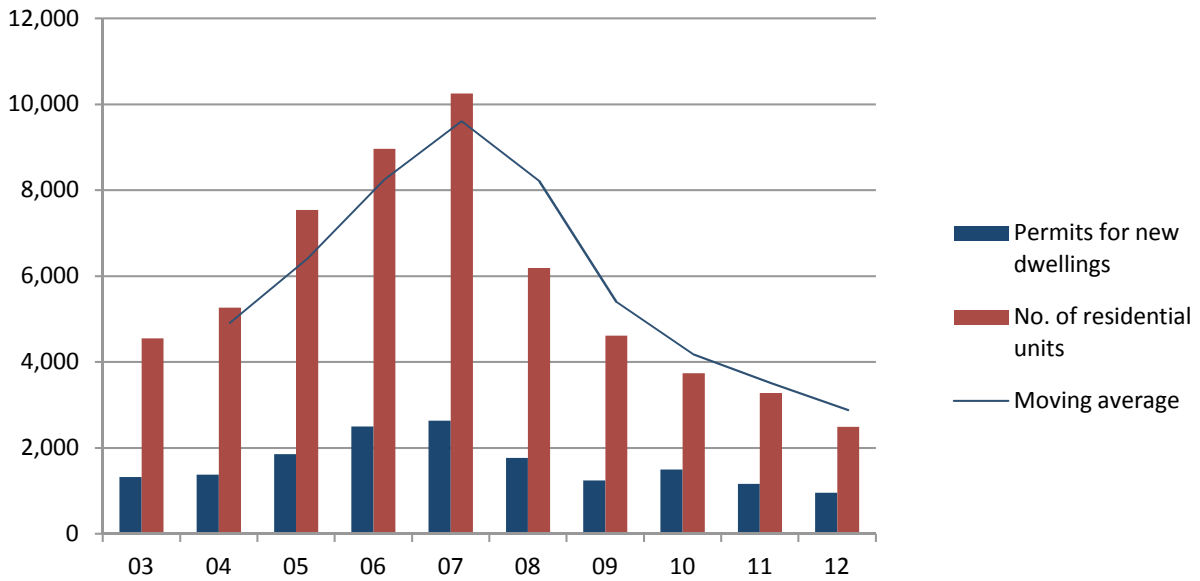
Chart I: Change in property prices



Source: Central Bank of Malta

New dwelling permits peaked in 2007, as depicted in Chart II overleaf, with 2,636 permits issued during the said year, but declined thereafter at a constant rate to a ten-year low of 958 permits in 2012. With respect to permits for apartments issued in Q1 and Q2 of 2013, the downward trend was maintained as Q1 and Q2 registered y-o-y decreases of 29.9% and 10.1% respectively. The total number of new dwelling permits is an indicator of the health of the construction sector, which is expected to remain weak at least in the near term.

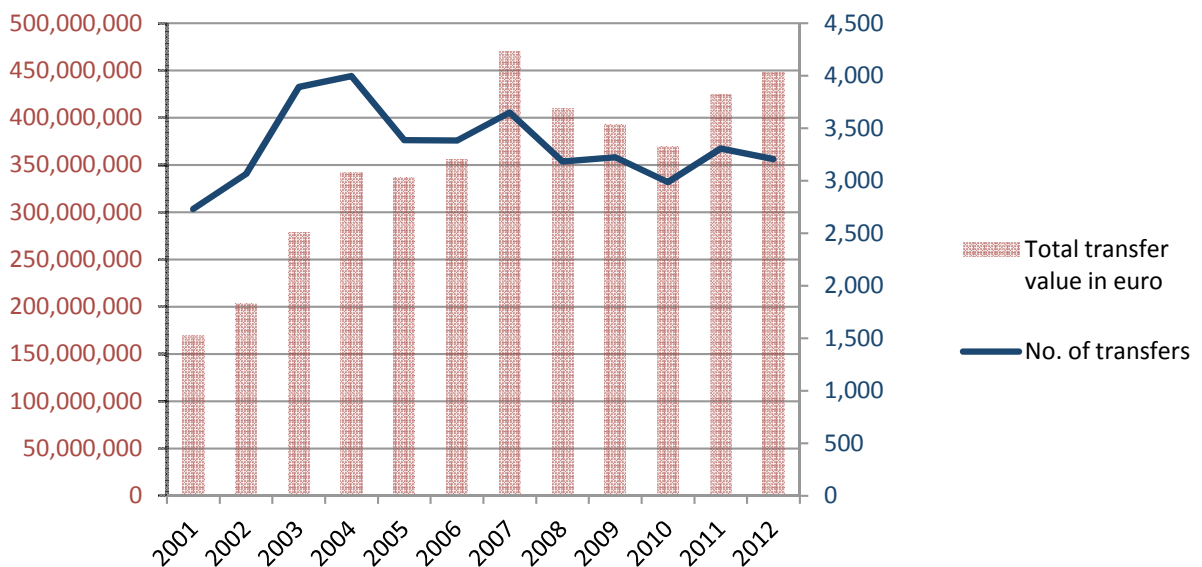
Chart II: Development permits for dwelling



Source: Malta Environment & Planning Authority

Chart III below re-affirms that 2007 was the most active year for transactions in apartments, whereby 3,649 transactions were effected during the said year at an aggregate value of circa €470 million. Unit transfers declined in the years 2008 to 2010 but recovered strongly in 2011 (+14.8%) and 2012 (+5.58%).

Chart III: Transfers of apartments in Malta



Source: Capital Transfer Division, Inland Revenue Department

National statistics relating to commercial property in Malta are currently not captured and therefore is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, it can be deduced that since Malta has progressed towards a services oriented economy, the requirement for commercial property, in particular office space, has gained in demand. Moreover, in addition to the needs of local businesses, Malta has experienced in recent years an influx of foreign entities setting up operations in the country, such as remote gaming companies and financial services companies, which have further increased the demand

for commercial premises and maintained a buoyant rental market. The positive view of this sector is further substantiated when assessing the supply side as a number of development projects earmarked for office and retail space are planned to commence in the coming years in response to such requirements.

PART 2

5. COMPANY PERFORMANCE REVIEW

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

5.1 FINANCIAL INFORMATION

The following financial information is extracted from the audited financial statements of Pendergardens Developments p.l.c. (the "Issuer") for the period 5 November 2012 (being the date of incorporation) to 31 December 2013. The financial information for the years ending 31 December 2014 and 31 December 2015 has been provided by the Company.

Income Statement (€'000)	FY2015 Projection	FY2014 Forecast	FP2013 Actual
Revenue	9,817	-	-
Operating expenses	(8,935)	-	-
Gross profit	882	-	-
Administrative expenses	(659)	(504)	(25)
Bond amortisation costs and back charges	-	(321)	(1)
Profit/(loss) for the year/period	223	(825)	(26)

The key accounting ratios are set out below:

	FY2015	FY2014	FP2013
Gross profit margin (Gross profit/revenue)	9%	-	-
Net profit margin (Profit after tax/revenue)	2%	-	-

Source: Charts Investment Management Service Limited

Statement of financial position (€'000)	31 Dec'15 Projection	31 Dec'14 Forecast	31 Dec'13 Actual
ASSETS			
Current assets			
Inventory – development project	30,929	30,129	8,718
Trade and other receivables	4,340	3,687	1,775
Cash and cash equivalents	16,913	22,699	8,247
Total current assets	52,182	56,515	18,740
EQUITY AND LIABILITIES			
Equity	8,451	8,228	3,274
Liabilities			
Non-current liabilities	41,398	43,309	11,679
Current liabilities	2,333	4,987	3,787
Total liabilities	43,731	48,287	15,466
Total equity and liabilities	52,182	56,515	18,740

The key accounting ratios are set out below:

	FY2015	FY2014	FP2013
Net assets per share (€) <i>(Net asset value/number of shares)</i>	0.93	0.91	0.99
Gearing ratio (%) <i>(Net debt/net debt + shareholders' equity)</i>	75	72	53
Asset cover ratio (times) <i>(Inventory plus receivables less current liabilities/net debt)</i>	1.31	1.35	1.79

Source: Charts Investment Management Service Limited

The gearing ratio (net debt/net debt + equity) demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a leverage of 53%, the Company's capital is funded to a higher degree from external debt as opposed to shareholders' funds. Due to the nature of property companies this ratio is typically on the high side especially in the initial years, when the focus is more on construction rather than sales. Accordingly, the Company's gearing level is projected to increase gradually between 2014 and 2017 as the Company utilises the net Bond proceeds in the construction of Phase II. It is expected that leverage will peak at *circa* 80% by the end of 2017 and should gradually decrease thereafter as sales proceeds start accruing from Block 17 and Towers I & II.

As progress is made on the construction of Phase II, the cash balances of the Company will decrease, and as mentioned above, will result in an increase in gearing levels over the next four years. The cash balances will be deployed on construction works and therefore converted to asset value, as illustrated by the asset cover ratio. The ratio measures a company's ability to cover its debt obligations with its assets. In the case of the Company, its debt of €42 million (and hence the amount of available cash net of

Bond expenses) is earmarked for the development of Phase II and will therefore be reflected in the balance sheet as units held for resale once the said property is completed. The asset cover is projected at 1.35x in FY2014 and 1.31x in FY2015, and should remain stable at this level throughout the construction phase to FY2017. The asset cover will increase on completion of works in FY2018 and thereafter until the redemption of both Bonds. The projected asset cover calculations exclude the effect of expected uplift in property value upon completion of works in FY2018.

Cash Flow Statement (€'000)	FY2015 Projection	FY2014 Forecast	FP2013 Actual
Net cash from operating activities	(1,381)	(15,725)	(3,387)
Net cash from financing activities	(4,403)	30,176	11,634
Net movement in cash and cash equivalents	(5,784)	14,451	8,247
Cash and cash equivalents at beginning of period	22,698	8,247	-
Cash and cash equivalents at end of period	16,914	22,698	8,247

Income Statement

The Company was incorporated on 5 November 2012 principally to develop and market Phase II of the Pendergardens project.

The Company incurred a loss of €26,227 in its first period of operations. This is typical of real estate companies set up purposely for the development and eventual sale of real estate property. The initial years of this Company will be characterised by losses given that properties are either under construction and/or not released through a contract of sale. It is expected that Block 16 will be completed in FY2015 and as a result, the Company will be able to proceed with completing a number of sale contracts. The Company is projecting that in FY2015, revenue generated from sale of residential units, net of commissions, will amount to €9.8 million and is expected to achieve a profit for the year of €0.2 million.

Statement of financial position

The Company's statement of financial position as at 31 December 2013 indicates total assets, all of which are current, amounting to €18.7 million, made up of the following components: (i) inventory relating to the project under development at a carrying value of €8.7 million; (ii) trade and other receivables of €1.8 million; and (iii) cash and cash equivalents amounting to €8.2 million. The value of inventory relates to Block 16 and is made up of the land cost amounting to €4.8 million; development expenses of €3.5 million which include design, excavation, civil works, capitalised borrowing costs and other related expenses; and €0.4 million being amortised costs relating to the issuance of secured notes and non-recoverable VAT. The assets are funded by shareholders' equity of €3.3 million and secured notes amounting to €11.7 million which will be redeemed in January 2015.

In FY2014, inventory is projected to increase from €8.7 million to €30.1 million which principally will include the value of land purchased for the development of Block 17 and Towers I & II amounting to €9.1 million, works in progress on said land of €4.1 million and the remaining balance shall comprise the capitalisation of development costs and other expenses that will be incurred on Block 16 and Towers I & II. The Company's equity will increase to €9.1 million (FY2013: €3.3 million) mainly as a result of an increase in issued share capital of €4.3 million in part settlement for the acquisition of the Block 17/Towers I & II site and capitalisation of shareholder's loan of €1.5 million. As to liabilities, borrowings will increase following the issuance of €42 million in secured bonds less the part redemption of €12 million secured notes.

During the year ending 31 December 2015, a number of sale contracts are expected to be concluded on Block 16 as construction works come to an end. This will lead to a reduction in inventory of €8.9 million, representing the direct costs associated with the disposal of residential units affected in FY2015 and charged to the income statement. Conversely, construction of Block 17

and Towers I & II is projected to be well underway in the financial year under review and therefore an amount of €9.7 million in development costs is expected to be added to inventory, thus resulting in a net increase of €0.8 million. As at 31 December 2015, no material change is projected in equity and liabilities when compared to the previous year.

Statement of cash flows

Net cash from operating activities in FP2013 to FY2015 principally comprise cash outflows relating to the construction of Phase II, and cash inflows on sale of residential units. During the three years under review, the Company is expected to settle the amount of €30.3 million for civil works completed and will receive €9.8 million being net proceeds from sale of units.

Net cash from financing activities include the issuance of €12 million and €42 million in debt securities in FP2013 and FY2014 respectively. The principal outflows relate to the redemption of €12 million secured notes, the cash consideration for the acquisition of Block 17/Towers I & II site of €8.9 million and net interest payments of €3.5 million.

5.2 RESERVE ACCOUNT

In terms of the Prospectus, the Company is required, through the Security Trustee, to build a reserve fund the value of which will by the respective redemption date of each Bond be equivalent to 100% of the outstanding value of the Bonds. The transfers to the reserve fund shall be based on a fixed percentage of net sales proceeds received upon the signing of sales contracts (residential and commercial) as detailed below. For the purpose of the reserve fund transfers, net sales proceeds shall constitute the contract value excluding initial deposits received on preliminary sales agreements, and after deducting applicable sales commissions and provisional tax. Other income of the Company including rental income from the lease of commercial units and interest receivable on surplus funds will also be excluded from any obligations in relation to the reserve account.

Transfers to the reserve account shall be made as follows:

- The first €25 million of net sales proceeds will be retained by the Company for the specific purpose of meeting construction costs with respect to Block 17 and Towers I & II;
- The following €25 million of net sales proceeds will be allocated as to 90% to the Security Trustee and 10% to the Company; and
- Any further sales over and above the initial €50 million (detailed above) shall be allocated as to 95% to the Security Trustee and 5% to the Company.

Transfers to the reserve fund are expected to commence as from the second year from the date of issue of the bonds, and the Company has undertaken to transfer a minimum amount of €100,000 in each of the years irrespective of whether the initial €25 million of net sales proceeds have been accumulated.

The Company's projections envisage the receipt of circa €69 million in net sales proceeds between 2014 and 2022, of which, an aggregate amount of €42 million is required to meet the capital repayments of the two Bonds on their respective redemption dates.

The Security Trustee may invest such monies received in the reserve account, subject to the following limitations:

- i. Any amount out of the reserve account may be applied against the re-purchase of the Secured Bonds in the market; and/or
- ii. Investment or re-investment in any in debt securities issued by or guaranteed by the Government of Malta or other member state of the European Union or the EEA or by an OECD sovereign state, without any currency exchange risk;
- iii. Subject to the limitations on amount set out below to deposit with a Bank licensed as a credit institution in Malta or any Member State of the European Union, provided that not more than 50 per cent of any amount standing to the credit of the reserve account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €25 million;

- iv. Amounts not exceeding €10 million may be invested in debt securities admitted to listing and trading on a Regulated market in the European Union, provided that not more than €2 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the reserve account to any currency exchange risk;
- v. An amount not exceeding €2 million may be advanced to any member of the Group, under terms and conditions which are at arm's length, provided that the reserve account remains in credit by at least another €2 million following such advance.

5.3 DEBT SERVICE COVER

The table below analyses the Company's projected cover on its debt service obligations:

Pendergardens Developments p.l.c. Debt Service Cover (€'000)	Redemption of Bond I 31 May 2020	Redemption of Bond II 31 July 2022
Projected net revenue	57,482	32,209
Net project outflows	(48,289)	(3,270)
Net proceeds from Bonds	31,250	-
Cash payment for acquisition of land	(8,953)	-
Bond re-purchases ¹ , net of interest income	(1,042)	(502)
	-----	-----
Net cash flows for the period	30,448	28,437
Opening cash balance	6,656	8,261
Balance in reserve account	1,951	-
	-----	-----
Cash available for debt service	39,055	36,698
	-----	-----
Interest payable on Bonds	(13,793)	(4,860)
Redemption of existing notes	(2,000)	-
Redemption of Bond I	(15,000)	-
Redemption of Bond II (net of buybacks)	-	(23,888)
	-----	-----
Debt service obligations	(30,793)	(28,748)
	-----	-----
Debt service cover	8,261	7,950
	=====	=====
Debt service cover ratio	1.27x	1.28x
	=====	=====

¹It has been assumed that the Company, through the Security Trustee, will buy-back an amount of €3.1 million of Bond II from the market with reserve fund proceeds.

The debt service cover ratio measures the ability of a company to service debt obligations from available cash flows. The analysis above indicates a surplus of €8.3 million on the Company's debt service obligations in the six year period to the redemption of Bond I on 31 May 2020, equivalent to a debt service cover ratio of 1.27x. In the subsequent two year period leading to the redemption

of Bond II on 31 July 2022, the surplus on the Company's debt service obligations is expected to amount to €8.0 million, which is equivalent to a debt service cover ratio of 1.28x.

PART 3

6. COMPARABLES

The table below compares the Company and its proposed bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing within six to eight years, similar to the duration of the Company's bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Gearing Ratio (%)
7.0% GH Marina plc 2017/20	11,671	5.39	0.72	56.79	23.39	50
6.8% Premier Cap. plc 2017/20	24,681	5.53	2.19	73.44	16.37	69
6.0% S. Farsons Cisk plc 2017/20	15,000	4.97	8.59	151.53	91.93	24
6.6% Eden Finance plc 2017/20	14,133	6.09	2.72	100.34	42.77	47
6.2% Tumas Investments plc 2017/20	25,000	5.11	3.74	286.00	93.60	55
4.9% Gasan Finance plc 2019/21	25,000	4.50	3.88	185.58	78.01	40
6.0% Corinthia Fin. plc 2019/22	7,500	5.37	0.90	1,263.78	631.09	41
5.8% IHI plc 2021	20,000	5.27	1.65	1,088.68	600.26	35
6.0% Medserv plc 2020/23	13,000	5.38	3.38	22.46	8.16	49
5.5% PD plc 2020	15,000	5.50	n/a	18.74	3.27	53
6.0% PD plc 2022	27,000	6.00	n/a	18.74	3.27	53

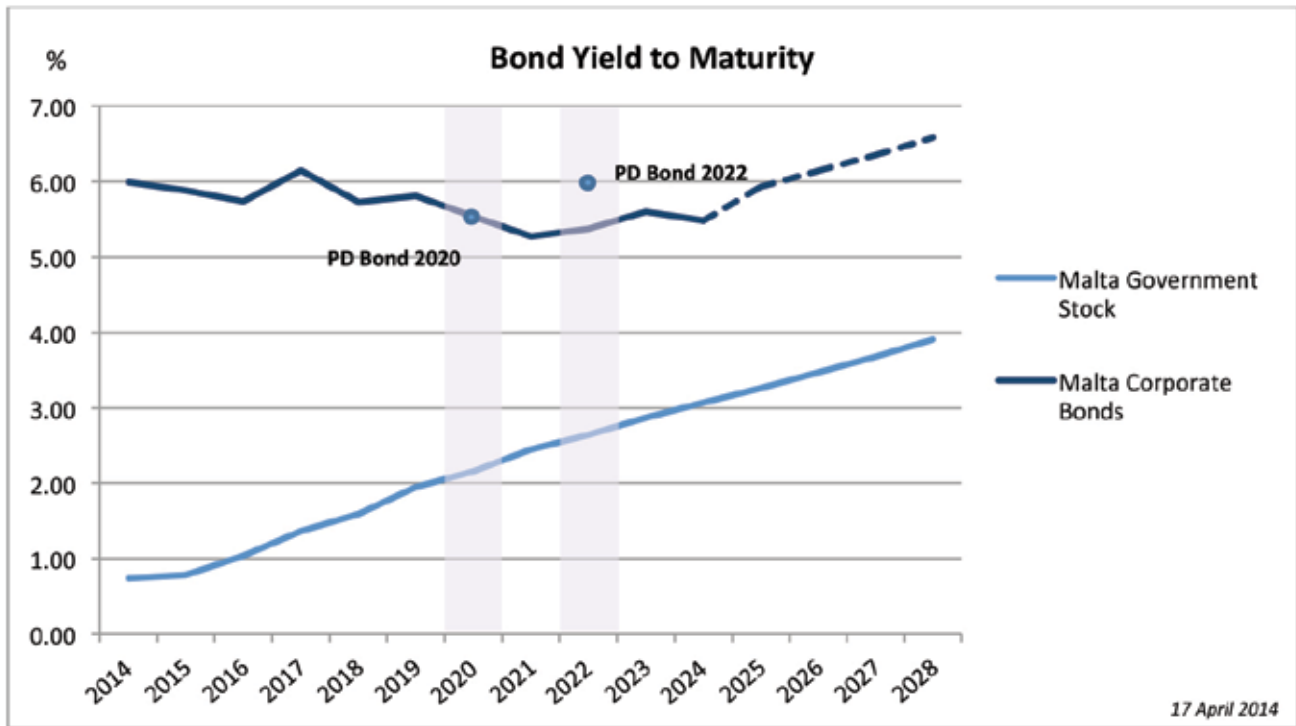
14 April 2014

Source: Malta Stock Exchange, Charts Investment Management Service Limited

Annual Accounts: For the year ended 31 December 2012, except for Simonds Farsons Cisk plc (YE 31/01/13), Medserv plc (YE 31/12/13), Pendergardens Developments plc (YE 31/12/2013)

The Company is engaged in the construction of immovable property and in accordance with international accounting standards, development stock is included in the balance sheet at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development. Therefore, interest payable attributable to the development phases of the project is not expensed in the profit and loss account but is capitalised and added to current assets. As a result, the interest cover ratio is not applicable in relation to the Company. In replacement of the interest cover ratio, the debt service cover ratio is deemed more appropriate, as it measures the amount of cash flow available to meet annual interest and capital repayments on debt obligations. The debt service cover of the Company is analysed in further detail in section 5.3.

The chart below shows the yield to maturity of the proposed bonds as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2024 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The premium over Malta Government Stock has been assumed at 267 basis points, which is the average premium for medium term corporate bonds listed on the Malta Stock Exchange. The PD 5.5% Bonds 2020 and PD 6.0% Bonds 2022 have respectively been priced at 334 and 336 basis points above Malta Government Stock.

PART 4

7. EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Company from its business activity during the financial year, that is, sale of units at Pendergardens.
Operating expenses	Operating expenses include the cost of construction and other related expenses.
Gross profit	Gross profit is the difference between revenue and operating expenses.
Profit after tax	Profit after tax is the profit made by the Company during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Gross profit margin	Gross profit margin is the result of revenue less operating expenses expressed as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include development stock, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bonds and capital creditors.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Asset cover ratio	The asset cover ratio measures the ability of a company to cover its debt obligations with its assets, and is calculated by dividing a company's inventory plus receivables less current liabilities by net debt.
Debt service cover ratio	The debt service cover ratio measures the amount of cash flow available to meet annual interest and capital repayments on debt obligations, and is calculated by dividing cash available for debt service by debt service obligations.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

