Financial Analysis Summary

15 June 2017

Issuer

Pendergardens Developments p.l.c.

(C58098)

CHARTS
WEALTH MANAGEMENT ▪ CORPORATE BROKING

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

15 June 2017

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 ("Analysis") 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 financial years ended 31 December 2014 to 31 December 2016, has been extracted from the audited financial statements of the Company for the periods in question.

(b) The forecast data of the Company for the year ending 31 December 2017 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.

CHARTS

WEALTH MANAGEMENT ▪ CORPORATE BROKING

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

TABLE OF CONTENTS

PART 1 – COMPANY INFORMATION

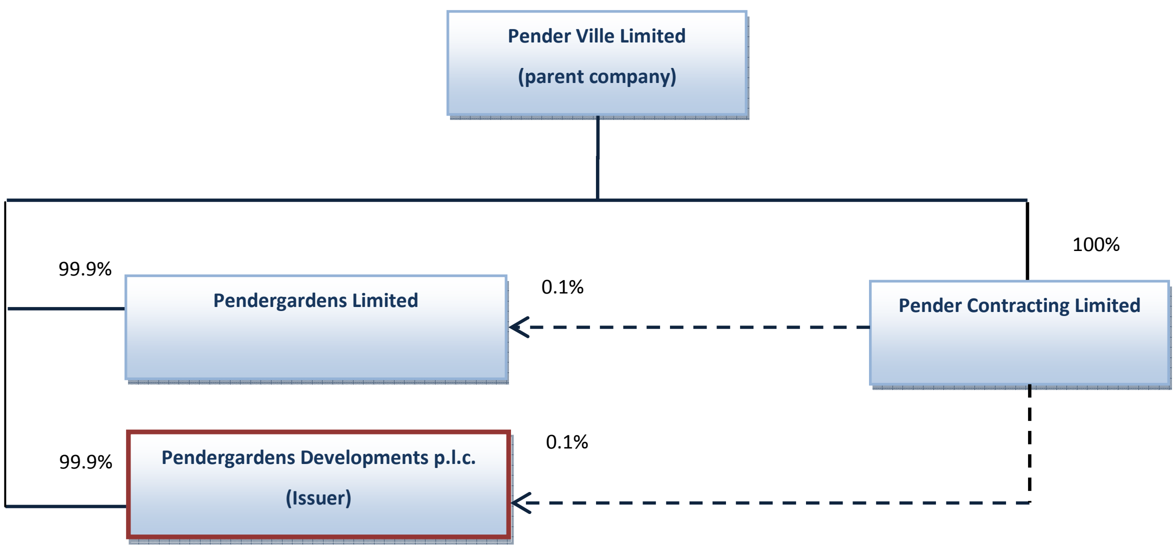
1. KEY ACTIVITIES

The principal activity of Pendergardens Developments p.l.c. (the "**Company**" or "**Issuer**") is to carry on the business of a property development company. In particular, the Company is currently involved in the development of Block 17 and Towers I and II, and in marketing residential units, retail and office space located in Block 16, Block 17 and Towers I and II. The aforementioned properties comprise the final phase of the Pendergardens Project ("**Phase II**").

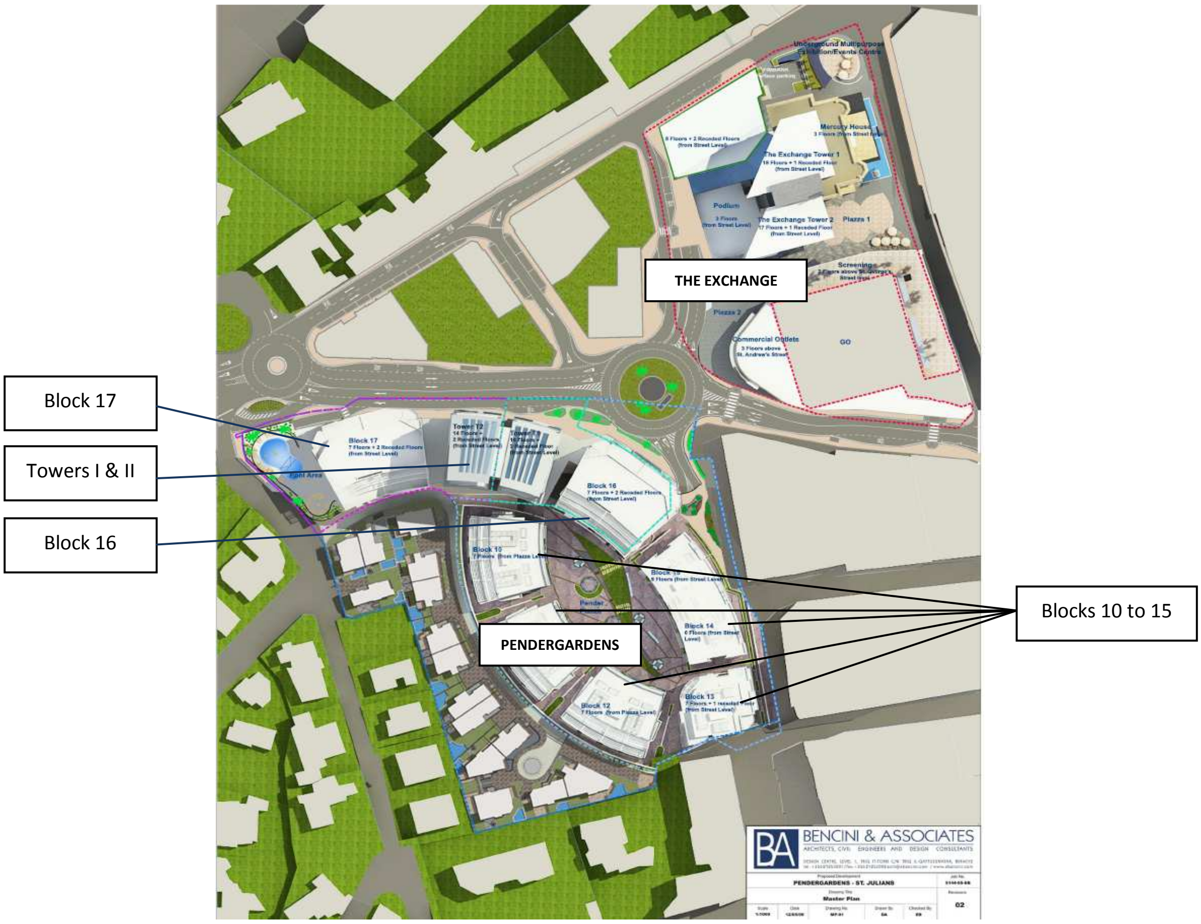
2. PENDERGARDENS GROUP

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 18,500m^2 and 8,500m^2 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 is being used by the Pendergardens Group as an office. Total sales proceeds generated from the aforementioned sales amounted to €43.7 million.

In a bid to proceed with the development of the remaining part of Pendergardens, the Block 16 site (measuring *circa* 1,379m^2) was transferred in December 2012 to Pendergardens Developments p.l.c. The Company issued €12 million in debt securities and initiated construction of 46 residential apartments, 807m^2 of retail area and car park spaces in the first quarter of 2013. Block 16 was completed in 2015.

Pursuant to the bond offer in May 2014, which consisted of the issuance of €15 million 5.5% Secured Bonds 2020 and €27 million 6% Secured Bonds 2022, the Company redeemed the afore--mentioned debt securities and acquired from Pender Ville Limited the last remaining parcel of land at Pendergardens measuring 3,217m^2 to construct Block 17 and Towers I & II. The aforesaid development will include, once completed, 77 residential apartments, 7 floors of office space, commercial premises and public and residential car park spaces.

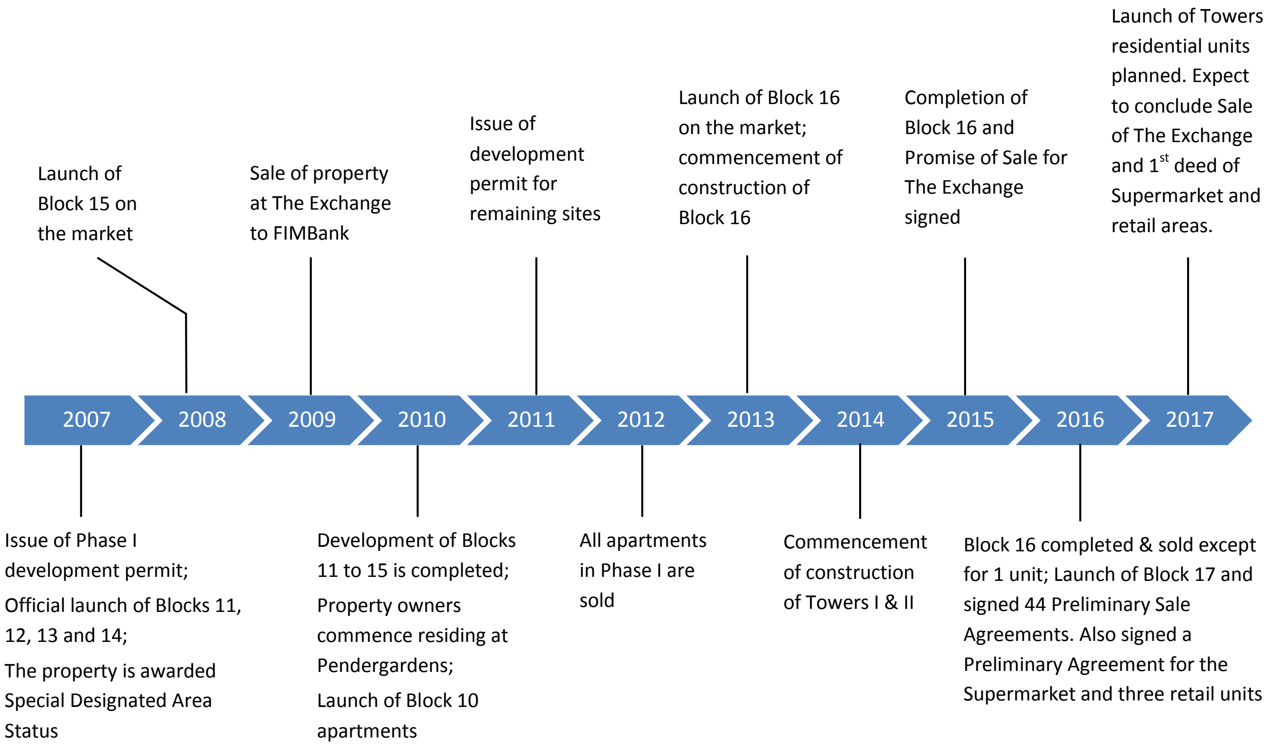
In 2009, Pender Ville Limited sold an area measuring 950m^2 to FIMBank plc. The Pendergardens Group was entrusted with the construction of the FimBank plc property which was completed in 2012.

In December 2016, Pender Ville Limited and a third party acquirer entered into a contract of sale for a portion of the site known as The Exchange and a concomitant Preliminary Agreement with the same third party to acquire the remaining portion in 2017.

Pendergardens Limited, a subsidiary company of Pender Ville Ltd, owns a portion of land (*circa* 4,300m^2) forming part of the Pendergardens development and has partly been sold with the remaining portion being subject to preliminary sale agreements. 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. Currently, the company is involved in the development of Block 17 and Towers I & II.

2.2 Key Events



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 seconded to it 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
Claudia de Maria	Financial Controller
Michael De Maria	Sales & Marketing Manager
Ernest Debono	Cost Manager & Quantity Surveyor

4. CORPORATE GOVERNANCE

4.1 Internal Control

The Board appointed an independent internal auditor, Mr Ivan Fsadni, who attends audit committee meetings.

The Company's Board of Directors and Executive Management are responsible for establishing and maintaining an effective system of internal controls. The Internal Audit was set up as a tool to assess the effectiveness of such implemented controls and to provide to the Company's Board of Directors through the Audit Committee with an opinion on the effectiveness of the internal control and risk management framework within the company.

4.2 Attendance at Meetings

Board Meetings

The Board met formally nine times during the period under review. The number of board meetings attended by Directors during the year ended 31 December 2016 was as follows:

Members	***Attended***
Edmund Gatt Baldacchino	9
Edward Licari	9
John Attard	8
Philip Farrugia	9
Joseph FX Zahra	9

Audit Committee

All Directors of the Company 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. The Committee met eight times during the year ended 31 December 2016 and all members attended all meetings.

Investment Committee

The Investment Committee is made up of Joseph FX Zahra, who is the chairman of the Committee, Philip Farrugia and John Attard. The Committee, which met eight times during 2016, is entrusted with overseeing the Company's investment policy and making recommendations to the Board on the subject matter.

4.3 Other Information

Legal Advisors	Dr Massimo Vella of Vella Zammit McKeon Advocates
Auditors	PricewaterhouseCoopers
Security Trustee	Equinox International Limited

5. MAJOR ASSETS & OPERATIONAL DEVELOPMENT OF THE COMPANY

5.1 Phase II – Block 16

In February 2013, the Company entered into a fixed price contract with a sister company, Pender Contracting Limited, for €10.02 million (excluding VAT) to construct and develop Block 16. The aforesaid property was completed in 2015.

Block 16 comprises 46 apartments, 4 levels of underlying car spaces and *circa* 807m^2 of retail area. As at the date of this report, all units have been sold, except for a 3-bedroom duplex unit which is subject to a preliminary sale agreement and a 3-bedroom duplex penthouse which is available for sale.

5.2 Phase II – Block 17 and Towers I & II

In 2014, Pendergardens resolved to initiate construction of the remaining parcel of land measuring *circa* 3,217m^2 and known as Block 17 and Towers I & II. Both properties will comprise four levels of car park spaces below ground level, and two levels above ground of retail and office space all together totalling *circa* 15,000m^2. As from Level 2, Block 17 will have seven floors of residential units and Towers I & II will include seven levels of office space (lettable area of *circa* 5,200m^2) and a further eight levels of residential units. The top two floors of the Towers will be developed into two duplex penthouses. The offices and residences in Towers I & II will have 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.

5.3 Development Progress – Block 17 and Towers I & II

Development works on Towers I & II, Block 17 and the underlying commercial space and car park have been progressing well. Civil works are now practically complete and mechanical and electrical installations and external finishes are underway and will be completed before the end of 2017. Internal finishes have also commenced in the first quarter of the year and the completion date of phase II is expected to be 2018

5.4 Phase II – Sales Strategy and Projections

In May 2016, the Company launched on the market the apartments in Block 17 with resounding success. Up to the date of this report, 44 out of 47 apartments are subject to preliminary sale agreements and comprise: 20 1-bedroom units, 20 2-bedroom units and 4 3-bedroom units. The remaining 3 apartments available for sale are 3-bedroom units.

During FY2017, the Company will be launching for sale on the market the residential units of Towers I & II, which include 28 3-bedroom units and 2 3-bedroom duplex penthouses. Also within 2017 the Company will be launching the Tower office space for lease.

As described above, most of the units in Block 16 and 17 have been sold or are subject to preliminary sale agreements, and the residential units of Towers I & II will be available for sale in the second half of 2017. 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.

In addition to residential units, Phase II includes the development of a total commercial gross area of *circa* 16,400m^2. Other than the supermarket and the adjacent 3 retail units which were committed for sale in 2016, the retail areas of Block 16 and Block 17 are available on the market for sale or lease. As of May 2017 a lease agreement for a retail unit within Block 16 has been signed. Towers I & II office space will be available for lease in 2017.

Car park spaces reserved for residents and tenants within the underground parking facilities complement the above properties. Furthermore, within 2017, Pendergardens will start operating a public parking facility with 245 spaces to accommodate clients and guests of respective tenants.

The following table illustrates the projected proceeds from sales and leases of units, net of applicable commissions:

Phase II **Proceeds from sales and leases**	**2017**	**2018**	**2019-2022**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Residential units & car park spaces	2,057	20,159	15,518	**37,734**
Commercial units & car park spaces	1,072	2,520	26,814	**30,406**
Total proceeds from sales, net of commissions	**3,129**	**22,679**	**42,332**	**68,140**
Commercial & car park revenues	-	503	5,912	**6,415**
Total proceeds, net of commissions	**3,129**	**23,182**	**48,244**	**74,555**

5.5 Phase II – Project Funding

A breakdown of estimated development expenditure to complete Phase II as from 1 January 2017 and expected funding sources thereof is provided below:

Completion of Phase II	**€'000**
Expenditure programme	
Fixed price contracts: Block 16 (payments to completion)	(701)
Fixed price contracts: Block 17 and Towers I & II	(23,486)
Non refundable VAT on development costs	(2,620)
Net finance costs in construction period (2017)	(2,387)
Operating expenses in construction period (2017)	(886)
Total estimated cash outflows to completion of Phase II	**(30,080)**
Sources of funding	
Cash in hand as at 1 January 2017	21,707
Sales proceeds (net of commissions and provisional tax)	7,255
Funds from sale of investments	1,118
Total funding requirement	**30,080**

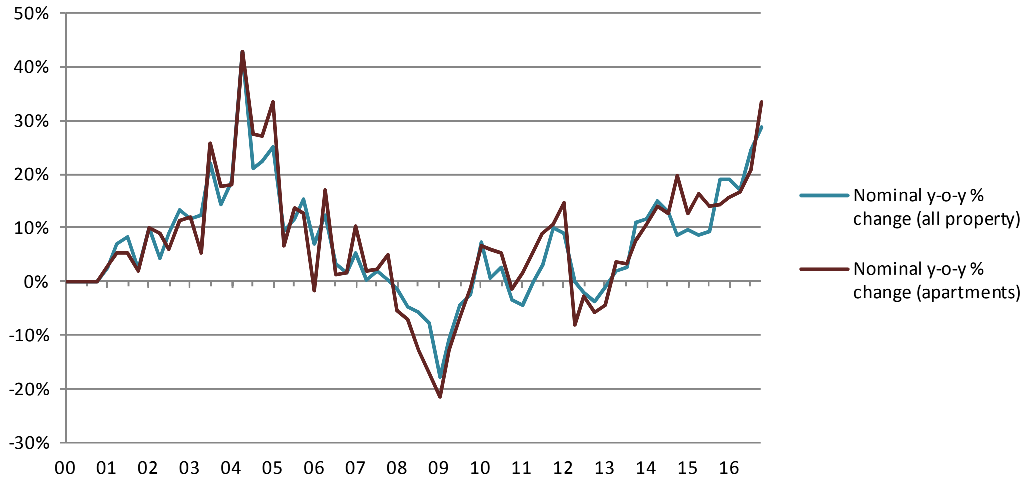
Funding requirements for the completion of Phase II are expected to amount to €30.1 million and will be mainly funded from cash in hand, unit sales and funds from sale of investments. The above cash inflows will be utilised principally to settle the remaining balance of €24.2 million due on the fixed price contracts entered into with Pender Contracting Limited for the development of Phase II. As from 1 January 2017 to date of completion of construction, it is expected that the Company will absorb non refundable VAT amounting to €2.6 million and projected net finance costs incurred during the construction period is estimated at €2.4 million.

5.6 Property Market

Residential property prices continued to rise during the fourth quarter of 2016 (see Chart I below) and said prices are being supported by a number of factors. The scheme for first-time buyers and a low interest rate environment make property more attractive to purchase. Demand for property is also being supported by growth in disposable income, which continues to benefit from favourable labour market conditions. These factors in turn are contributing to robust growth in lending for house purchases. The rise in foreign workers in Malta and the Individual Investor Programme, have also been supporting residential property prices.

The Central Bank of Malta's advertised property price index shows that house prices rose at an annual rate of 13.8% in the last quarter of 2016. Prices of apartments – the major component – continued to grow strongly in Q4 2016 at 8.9% over the previous quarter (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).

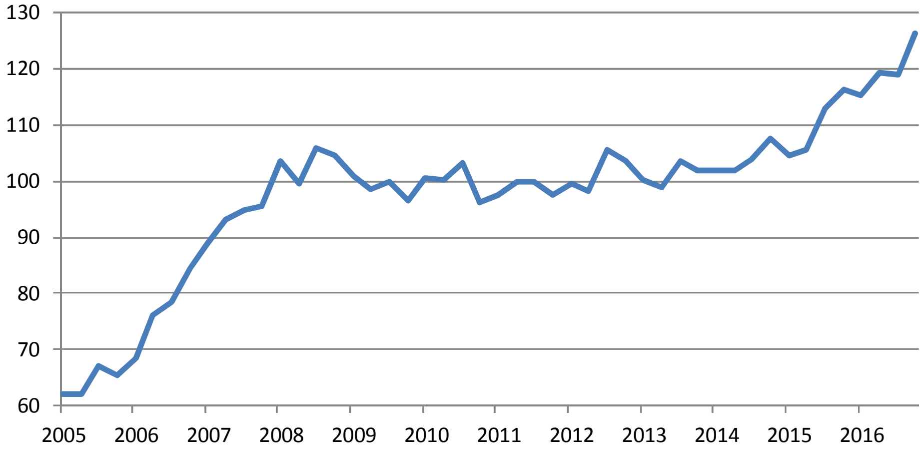
CHART I: Change in Property Prices



Source: Central Bank of Malta

Eurostat's House Price Index for Malta – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q4 2016 and shows that said prices increased by 8.4% compared with the same quarter of 2015 (vide Charts II below).

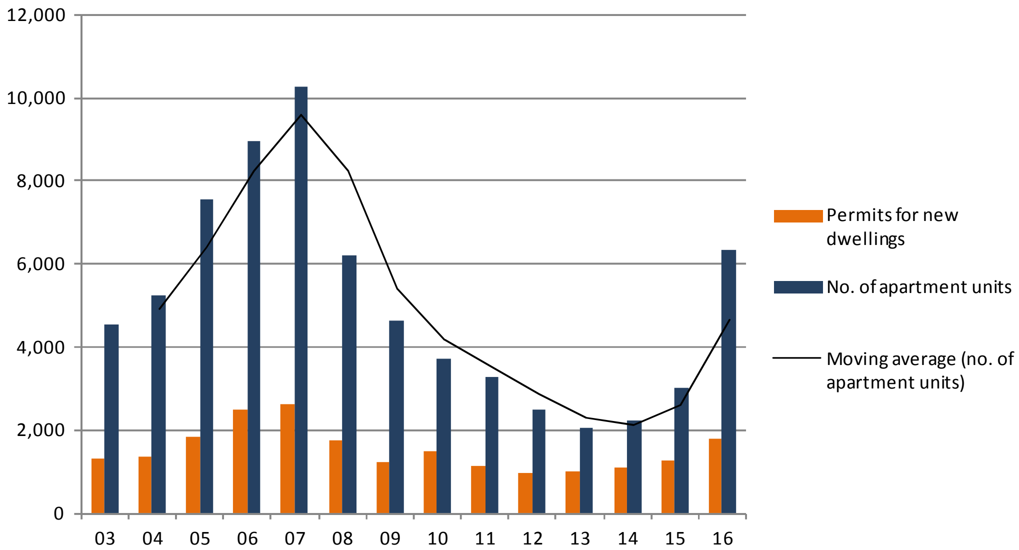
CHART II: Malta House Price Index



Source: Eurostat

With regard to the number of permits, in 2016, the Planning Authority issued 3,385 permits (2015: 2,425, +40% y-o-y) for the development of 7,508 units (2015: 3,947, +90% y-o-y). The increase in permits issued in 2016 was mostly driven by the largest residential category, namely apartments, which accounted for 84% of total number of permits.

CHART III: Development Permits for Dwellings



Source: Planning Authority

Gross value added (being the net result of output valued at basic prices less intermediate consumption valued at purchasers' prices) from the construction industry rose significantly by 16.6% in 2015 (in nominal terms), from €301.7 million in 2014 to €351.7 million, following an increase of just 2.4% in 2014. Although a y-o-y decline of €21.0 million or 6.0% was registered in 2016 to €330.7 million, it was still 8% higher than the average gross value added (€306.0 million) of the last six years (2011 – 2016).

Commercial Property

National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects earmarked for development and set to commence in the near future.

PART 2 – 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.

6. FINANCIAL INFORMATION

The following financial information is extracted from the audited financial statements of Pendergardens Developments p.l.c. (the "**Issuer**") for the financial years ended 31 December 2014 to 31 December 2016. The financial information for the year ending 31 December 2017 has been provided by the Company.

Pendergardens Developments p.l.c. Income Statement				
for the year ended 31 December	**2014**	**2015**	**2016**	**2017**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Revenue, net of commissions	-	8,196	7,467	5,655
Net operating expenses	(560)	(8,195)	(7,294)	(5,097)
EBITDA	**(560)**	**1**	**173**	**558**
Bond amortisation costs and bank charges	(321)	-	-	-
Realised gains on financial assets	-	3,394	814	33
Net finance costs	36	(57)	(660)	(660)
(Loss)/profit before tax	**(845)**	**3,338**	**327**	**(69)**
Taxation	-	(189)	(253)	(282)
(Loss)//profit for the year	**(845)**	**3,149**	**74**	**(351)**
Other comprehensive income				
Fair value gains on financial investments	2,251	(1,929)	(265)	-
Total comprehesive income (expense) for the year net of tax	**1,406**	**1,220**	**(191)**	**(351)**

Pendergardens Developments p.l.c. Cash Flow Statement				
for the year ended 31 December	**2014**	**2015**	**2016**	**2017**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Net cash from operating activities	(11,019)	(3,179)	(50)	(18,309)
Net cash from investing activities	(4,895)	-	-	-
Net cash from financing activities	9,812	7,125	15,666	1,018
Net movement in cash and cash equivalents	**(6,102)**	**3,946**	**15,616**	**(17,291)**
Cash and cash equivalents at beginning of year	8,247	2,145	6,091	21,707
Cash and cash equivalents at end of year	**2,145**	**6,091**	**21,707**	**4,416**

Pendergardens Developments p.l.c. Balance Sheet				
as at 31 December	2014	2015	2016	2017
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Investment property	-	-	-	9,699
Reserve fund	-	-	150	250
	-	-	150	9,949
Current assets				
Inventories - development project	28,913	29,816	33,963	37,215
Trade and other receivables	8,815	5,409	5,576	3,115
Available-for-sale investments	21,918	16,259	1,141	-
Taxation	-	460	736	490
Cash and cash equivalents	2,145	6,091	21,707	4,416
	61,791	58,035	63,123	45,236
Total assets	**61,791**	**58,035**	**63,273**	**55,185**
EQUITY				
Equity and reserves	**10,459**	**11,679**	**11,488**	**11,079**
LIABILITIES				
Non-current liabilities				
Borrowings	41,320	41,389	41,461	41,538
	41,320	41,389	41,461	41,538
Current liabilities				
Borrowings	2,015	-	-	-
Trade and other payables	7,997	4,967	10,324	2,568
	10,012	4,967	10,324	2,568
	51,332	**46,356**	**51,785**	**44,106**
Total equity and liabilities	**61,791**	**58,035**	**63,273**	**55,185**

Key Accounting Ratios	FY2014	FY2015	FY2016	FY2017
Operating profit margin *(EBITDA/revenue)*	n/a	0%	2%	10%
Net profit margin *(Profit after tax/revenue)*	n/a	38%	1%	-6%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.09	0.35	0.01	-0.04
Net assets per share (€) *(Net asset value/number of shares)*	1.15	1.29	1.27	1.22
Asset cover ratio (times) *(Inventories plus receivables less current liabilities/net debt)*	1.44	1.59	1.57	1.02
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	65%	62%	62%	77%

Source: Charts Investment Management Service Limited

In **FY2015**, the Company generated revenue of €8.2 million principally from disposal of residential units in Block 16. Although the value of preliminary sale agreements of Block 16 residential units achieved was higher than projected, the conclusion of contracts of sales was at a slower pace than projected. Therefore net operating expenses for the year was almost equal to said revenue and as such EBITDA amounted to only €1,000. Overall, profit for the year amounted to €3.1 million primarily due to gains of €3.4 million realised on disposal of financial assets. It is observed that during the development phase interest payable is capitalised in the balance sheet as part of property inventory. Since Block 16 was substantially complete at the end of November 2015 interest payable amounting to €57,000 was recognised in the income statement in FY2015.

In **FY2016**, the Company registered net revenue amounting to €7.5 million, which comprise sales of Block 16 units, and EBITDA of €0.2 million. After accounting for realised gains on financial assets of €0.8 million and net interest costs of €0.7 million, the Company reported a profit before tax of €0.3 million and a profit for the year of €74,000.

During **FY2017**, the Company expects to conclude the sale of 1 residential unit in Block 16 and retail units for an aggregate consideration of €5.7 million. Net operating expenses are projected at €5.1 million and as such, EBITDA is expected to amount to €0.6 million. The Company is forecasting a net loss for the year of €0.4 million. Although the Company has to date concluded preliminary sale agreements on most of the residential units in Block 17 and expects to enter into preliminary sale agreements on a number of apartments in Towers I & II by the end of the reviewed year, the associated revenue will be accounted for after completion of development of Block 17 and Towers I & II, and the execution of respective sale contracts, both of which are expected to take place in the second semester of FY2018.

Variance Analysis

Pendergardens Developments p.l.c. Income Statement			
for the year ended 31 December	**2016**	**2016**	
	Actual	**Forecast**	**Variance**
	€'000	**€'000**	**€'000**
Revenue, net of commissions	7,467	9,086	(1,619)
Net operating expenses	(7,294)	(8,657)	1,363
EBITDA	**173**	**429**	**(256)**
Bond amortisation costs and bank charges	-	-	-
Realised gains on financial assets	814	-	814
Net finance costs	(660)	(119)	(541)
(Loss)/profit before tax	**327**	**310**	17
Taxation	(253)	(405)	152
(Loss)//profit for the year	**74**	**(95)**	**169**
Other comprehensive income			-
Fair value gains on financial investments	(265)	(322)	57
Total comprehesive income (expense) for the year net of tax	**(191)**	**(417)**	**226**

As presented in the above table, the Company recognised lower revenue in FY2016 than forecasted by €1.6 million, since not all units in Block 16 were sold in FY2016 (as previously anticipated). The remaining 2 units (one of which is subject to a preliminary sale agreement) are now expected to be sold in FY2017 and FY2018. As such, actual EBITDA for FY2016 was lower than projected by €0.3 million.

Audited financial results were positively impacted by a realised gain on financial assets of €0.8 million and a lower tax charge of €0.2 million. In contrast, net finance costs were higher than expected by €0.5 million. Overall, total comprehensive expense in FY2016 amounted to €191,000 as compared to a projected expense of €417,000.

7. 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.

In terms of the prospectus, 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. During the year ended 31 December 2016, the Company transferred the amount of €150,000 to the sinking fund reserve.

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.

8. TREASURY MANAGEMENT

As reflected in the Balance Sheet outlined in section 5 above, the Company held 'available-for-sale investments', which as at 31 December 2016 amounted to €1.1 million (FY2015: €16.3 million). Such investments were financed from cash balances not yet required for operations and primarily comprise Euro debt securities issued by the Government of Malta. As at January 2017 such investments were liquidated.

The Company's investment policy and strategy is set and monitored by an Investment Committee which is chaired by one of the independent Directors. Investments are liquidated whenever required for operating cash flow purposes.

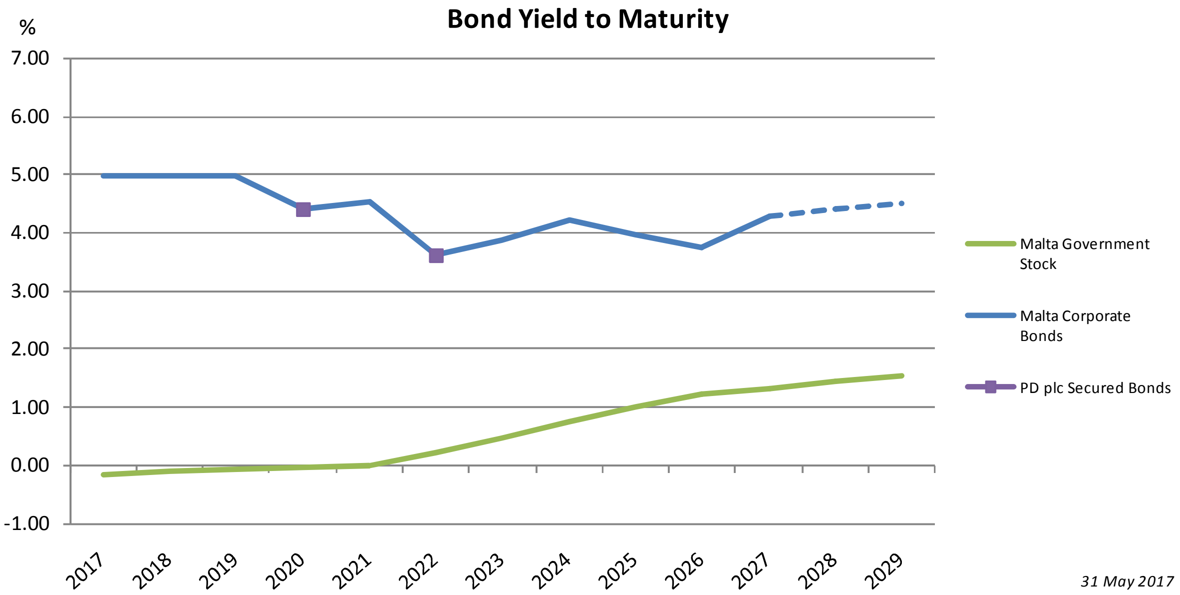
PART 3 - COMPARABLES

The table below compares the Company and its bond issues to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	**Nominal Value (€)**	**Yield to Maturity (%)**	**Interest Cover (times)**	**Total Assets (€'000)**	**Net Asset Value (€'000)**	**Gearing Ratio (%)**
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	4.41	1.49	63,273	11,488	63.23
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.62	1.49	63,273	11,488	63.23
4.25% Gap Group plc Secured € 2023	40,000,000	3.80	2.48	57,086	6,004	86.39
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.87	2.05	18,153	3,796	73.85
6% AX Investments Plc € 2024	40,000,000	4.26	3.62	270,425	163,719	27.97
6% Island Hotels Group Holdings plc € 2024	35,000,000	4.71	0.98	144,003	52,994	53.41
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	4.22	4.25	72,117	30,380	52.06
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.46	- 0.02	82,096	32,298	54.54
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.61	1.59	71,711	4,751	89.91
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.96	1.40	97,042	28,223	72.36
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.68	2.46	1,220,254	646,822	36.39
4.0% MIDI plc Secured € 2026	50,000,000	3.58	0.59	203,780	67,359	40.62
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.50	6.87	193,351	41,630	58.76
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	4.28	4.82	156,433	56,697	53.20
4.0% Eden Finance plc 2027	40,000,000	3.75	3.98	165,496	92,620	34.60

31 May'17

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 4 – 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.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
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	
Operating profit margin	Operating profit margin is operating income or EBITDA 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 investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments 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.