Financial Analysis Summary

11 June 2019

Issuer

Pendergardens Developments p.l.c.

(C58098)

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

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

11 June 2019

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 three financial years ended 31 December 2016 to 31 December 2018, has been extracted from the audited financial statements of the Company for the three years in question.

(b) The forecast data of the Company for the year ending 31 December 2018 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,

Evan Mohnani
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – COMPANY INFORMATION

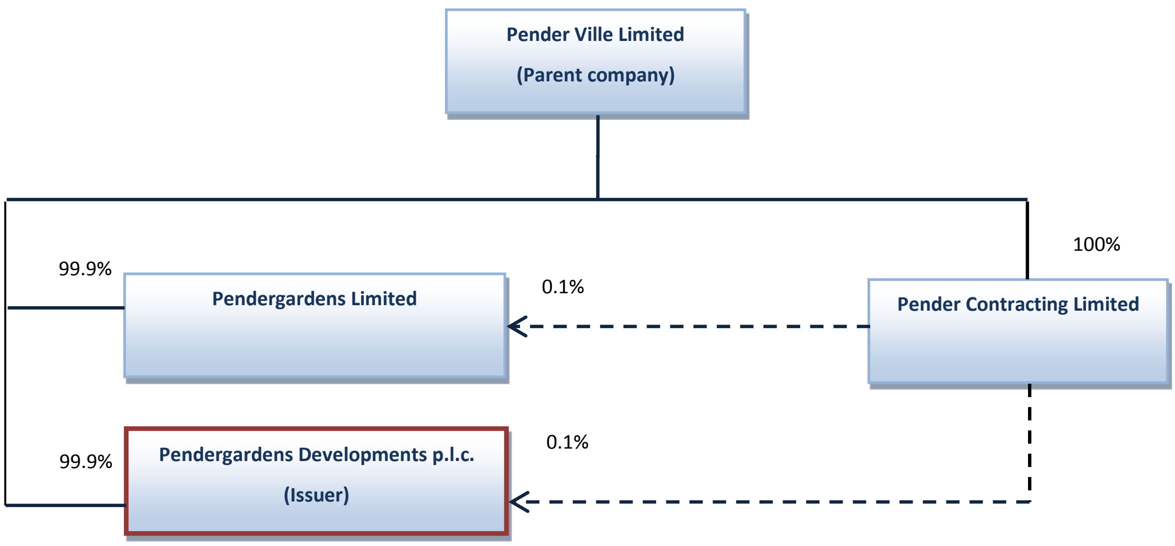
1. KEY ACTIVITIES

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 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 afore-mentioned properties comprise the final phase of the Pendergardens Project ("**Phase II**").

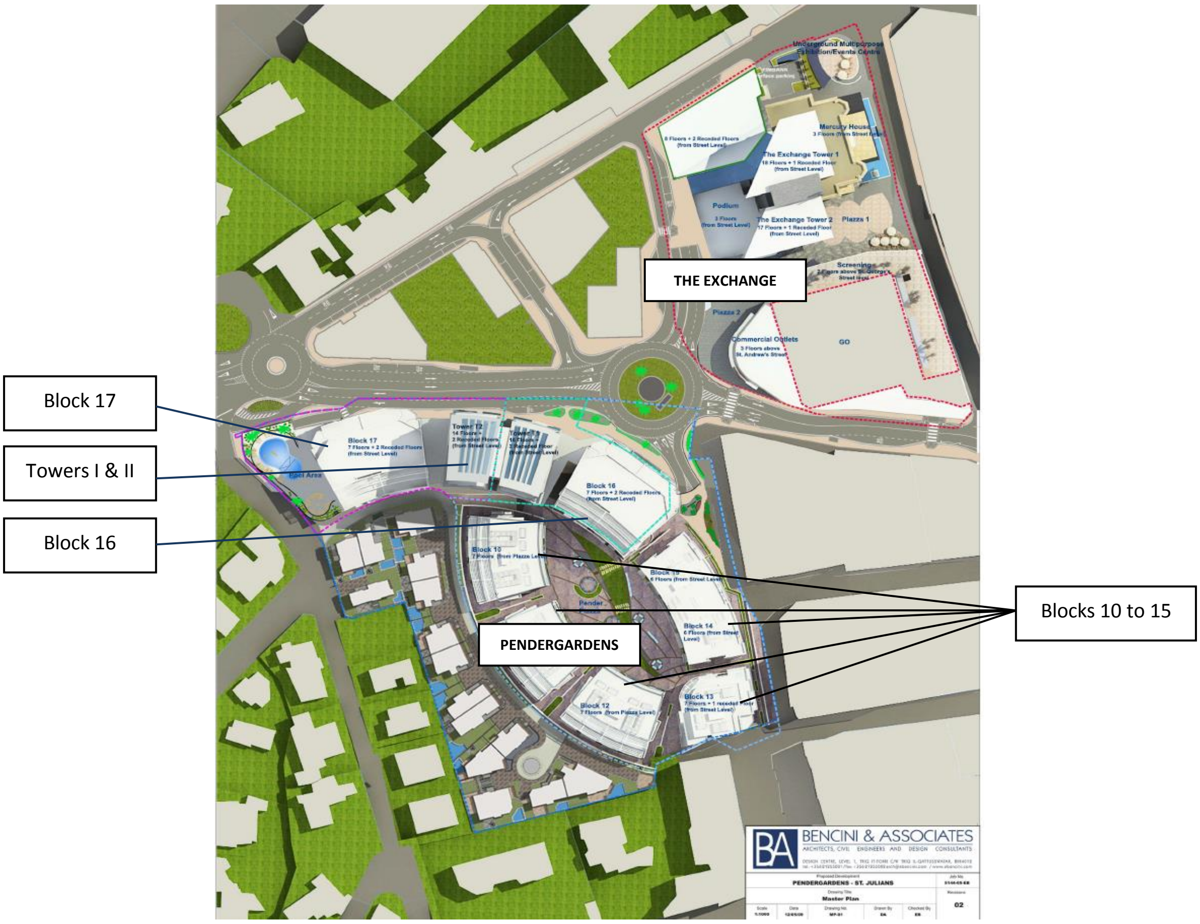
2. PENDERGARDENS GROUP

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 in February 2013 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 comprised 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 said 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.

Between December 2016 and Q4 2017, Pender Ville Limited completed the sale of the site known as The Exchange to a third party acquirer. Furthermore, a portion of land (*circa* 4,300m^2) earmarked for the development of 15 detached and semi-detached villas, forming part of the Pendergardens development, has to date been sold to third parties, except for one villa plot which is subject to a preliminary sale agreement.

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 Towers I & II.

2.2 Key Events

2007 Issue of Phase I development permit; official launch of Blocks 11, 12, 13 and 14; the property is awarded Special Designated Area Status

2008 Launch of Block 15 on the market

2009 Sale of property at The Exchange to FIMBank

2010 Development of Blocks 11 to 15 is completed; property owners commence residing at Pendergardens; launch of Block 10 apartments

2011 Issue of development permit for remaining sites

2012 All apartments in Phase I are sold

2013 Launch of Block 16 on the market; commencement of construction of Block 16

2014 Commencement of construction of Towers I & II

2015 Completion of Block 16 and promise of sale agreement for The Exchange is signed

2016 Block 16 is completed & sold except for 1 unit; launch of Block 17 and signed 44 pre-sale agreements; signed a pre-sale agreement for the supermarket and three retail units

2017 Launch of Towers residential units; sold The Exchange and completed first deed of supermarket and retail areas; signed 11 pre-sale agreements for Tower apartments and first office space lease agreement

2018 Completion of Block 17 and underlying public car park; acquired an additional 3,548m^2 in the public car park thereby increasing the available car spaces from 253 to 323

2019 Pendergardens Business Centre commenced operations on 1 April 2019

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	Non-Executive Director
Philip Farrugia	Independent Non-Executive Director
Joseph FX Zahra	Independent Non-Executive 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

Emmanuel Briffa	Chief Operating Officer
Natalie Scerri	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, 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 seven times during the period under review. The number of board meetings attended by Directors during the year ended 31 December 2018 was as follows:

Members	***Attended***
Edmund Gatt Baldacchino	7
Edward Licari	7
John Attard	7
Philip Farrugia	7
Joseph FX Zahra	7

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 seven times during the year ended 31 December 2018 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 seven times during 2018, 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 related company, Pender Contracting Limited, for €10.02 million (excluding VAT) to construct and develop Block 16. The aforementioned property was completed in 2015.

Block 16 comprises 46 apartments, 4 levels of underlying car spaces and *circa* 807m^2 of retail area. Up to 2017, a total of 45 contracts of sale were signed having an aggregate sales value of €15.7 million. The final deed for the remaining 3-bedroom duplex penthouse unit in Block 16 was signed in May 2019 for the consideration of €1.1 million.

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

The public car park was inaugurated in February 2018 and works on Block 17 were completed at the end of October 2018. Finishing works on Towers I & II have been progressing well and are expected to be completed by the end of June 2019.

5.4 Phase II – Sales Strategy and Projections

BLOCK 16

The 46 residential units in Block 16 have all been sold to date.

PUBLIC CAR PARK

The public car park was opened in February 2018 with 253 car spaces. In May 2018, the Company acquired an additional 3,548m^2 in the public car park from its parent company, increasing the available car spaces to just over 320.

BLOCK 17 RESIDENTIAL

In May 2016, the Company launched on the market a residential block consisting of 47 apartments (comprising 20 1-bedroom units, 20 2-bedroom units and 4 3-bedroom units) in Block 17. Development of the residential part of Block 17 was completed in October 2018. As at 31 December 2018, sale contracts for 28 units were executed, which contributed €10.8 million to total sales in FY2018. Another 17 units having an aggregate value of €16.3 million are still subject to preliminary sale agreements. The last remaining 2 residential units in Block 17 are still on the market.

TOWERS I & II RESIDENTIAL

In the second half of 2017, the Company launched on the market 28 3-bedroom residential units (out of 30 units) in Towers I & II and as at 31 December 2018, 16 units were subject to preliminary sale agreements valued at €16.3 million. The other 2 units comprise 3-bedroom duplex penthouses, each having an outdoor pool and sky terraces, which will be launched on the market during 2019.

The pricing strategy for Towers I & II residences has been devised to target the higher-end of the market and factors the level of finishing that is significantly superior to other parts of the development, and which is reflective of market expectations for such apartments.

COMMERCIAL

In addition to residential units, Phase II includes the development of a total commercial gross area of *circa* 16,400m^2 (consisting of a retail podium under Blocks 16 and 17 and a Business Centre in Towers I & II). Other than the supermarket and the adjacent 3 retail units sold in 2017, both the office and retail areas of Block 16, Towers I & II and Block 17 are available on the market for sale or lease.

By year end (2018), seven lease agreements were signed as follows: three retail units in Block 16 and one retail unit in Towers I & II; two lease contracts for office space in Towers I & II (four floors and half of a floor on level 7); and a lease agreement was concluded on the area earmarked for a wellness centre which is expected to open in early 2020. The Company is presently in negotiations with various interested parties on the remaining available office and retail areas.

REVENUE PROJECTIONS

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

Phase II **Projected Proceeds from Sales and Leases**	**2019** **€'000**	**2020-2022** **€'000**	**Total** **€'000**
Residential units & car park spaces	22,095	19,016	**41,111**
Commercial units & car park spaces	1,050	25,576	**26,626**
Total proceeds from sales, net of commissions	**23,145**	**44,592**	**67,737**
Commercial leases & car park revenues	1,003	4,225	**5,228**
Total proceeds, net of commissions	**24,148**	**48,817**	**72,965**

5.5 Phase II – Project Funding

A breakdown of estimated development expenditure to complete Phase II as from 1 January 2019 and expected funding sources thereof is provided below:

Completion of Phase II	**€'000**
Expenditure programme	
Fixed price contracts: Block 16 (payments to completion)	(173)
Fixed price contracts: Block 17 and Towers I & II (payments to completion)	(14,165)
Non refundable VAT on development costs	(778)
Net finance costs in construction period (2019)	(2,424)
Operating expenses in construction period (2019)	(1,317)
Total estimated cash outflows to completion of Phase II	**(18,857)**
Sources of funding	
Cash in hand as at 1 January 2019	15,346
Sales proceeds (net of commissions and provisional tax)	3,511
Total funding requirement	**18,857**

Funding requirements for the completion of Phase II are expected to amount to €18.9 million and will be mainly funded from cash in hand and unit sales. The above cash inflows will be utilised principally to settle the remaining balance of €14.3 million due on the fixed price contracts entered into with Pender Contracting Limited for the development of Phase II. As from 1 January 2019 to date of completion of construction, it is expected that the Company will absorb non-refundable VAT and operating expenses amounting to €0.8 million and €1.3 million respectively, and projected net finance costs incurred during the construction period is estimated at €2.4 million.

5.6 Malta Economic Update[1]

Malta's economy performed better than expected in 2018, with real GDP growth reaching the high rate of 6.6%. Economic growth accelerated in the second half of the year, driven by record-high levels of private consumption growth, which increased by 7.3% compared to the previous year. In particular, robust employment growth coupled with modest price pressures in the household consumption basket contributed to boost households' real disposable income. Going forward, private consumption growth is expected to slow down but remain well above its historical average.

Despite the drop in investment in real terms in 2018, which was mostly due to base effects, investment in recent years has stabilised at relatively high levels, with an investment-to-GDP ratio above 20%. In 2019, investment is set to rebound and pick up further in 2020. In particular, non-residential construction is expected to benefit from large investment projects planned in the health, transport and tourism sectors.

The import content of Malta's exports has been steadily declining in the recent past, reflecting the structural shift toward the services sector. As investment rises, import growth is likewise expected to increase, turning the growth contribution of net exports from positive to slightly negative in 2019. Export growth is expected to remain above 2% as a result of the good performance of export-oriented services such as tourism and remote gaming. The current account surplus is set to narrow but to remain among the highest in the EU, underpinned by the large surplus in the services account.

Real GDP growth is expected to remain solid but to gradually ease over the forecast horizon, to an annual rate of 5.5% in 2019 and 4.8% in 2020. Risks to the macroeconomic outlook appear broadly balanced. In particular, global trade tensions and rising uncertainties in some of Malta's trading partners could negatively affect the short-term growth profile. Important upside risks include the possibility of stronger-than-expected private consumption, driven by employment creation and accumulated savings, and a further decline in the import of services.

With the activity rate in Malta quickly approaching the EU average, employment growth is expected to moderate slightly as economic growth slows down, while the unemployment rate is projected to remain below 4% over the forecast horizon. The significant inflow of foreign workers has helped keep

[1] European Economic Forecast – Spring 2019 (European Commission Institutional Paper 102 May '19)

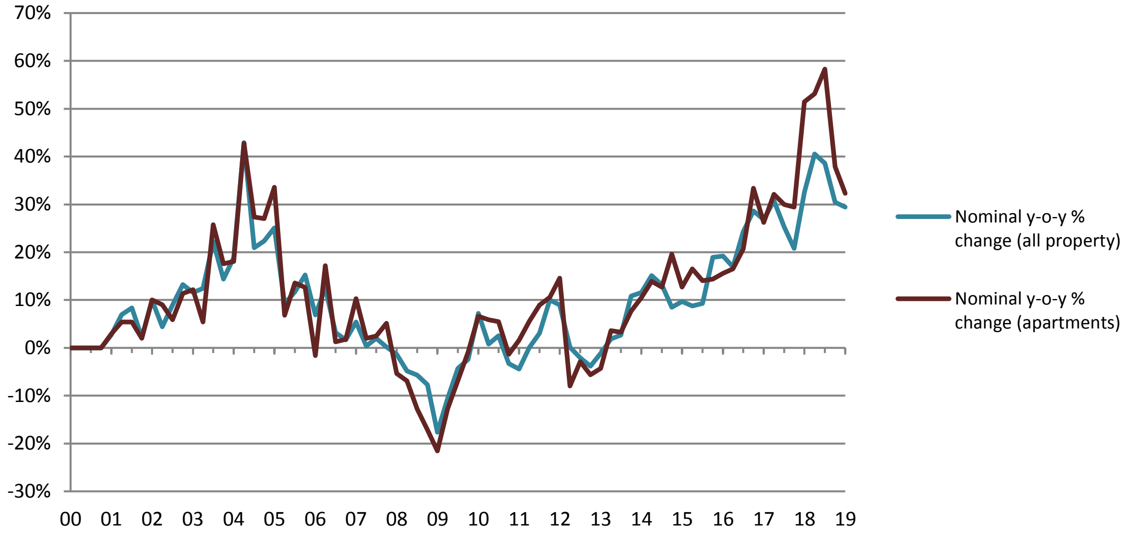
wage growth contained; unit labour cost growth is set to rise and reach 1.2% in 2020 as wage pressures gradually materialise.

The inflation profile has been influenced by price increases in the services sector, in particular tourism-related expenditure like accommodation services. Inflation is set to increase only marginally over the forecast horizon, reaching 1.9% in 2020.

5.7 Property Market & Construction Sector

Property prices of residential property in Malta increased by 10.8% in the 12 months to the end of March 2019 compared to a year earlier (see Chart I below), mainly due to a 15.3% increase in prices of terraced houses. This positive trend has been witnessed for just less than six years - during which property prices registered an increase of 77.9% (Q2 2013 to Q1 2019) – primarily due to a strong economy and a robust labour market (such data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place).[2]

CHART I: Change in Property Prices

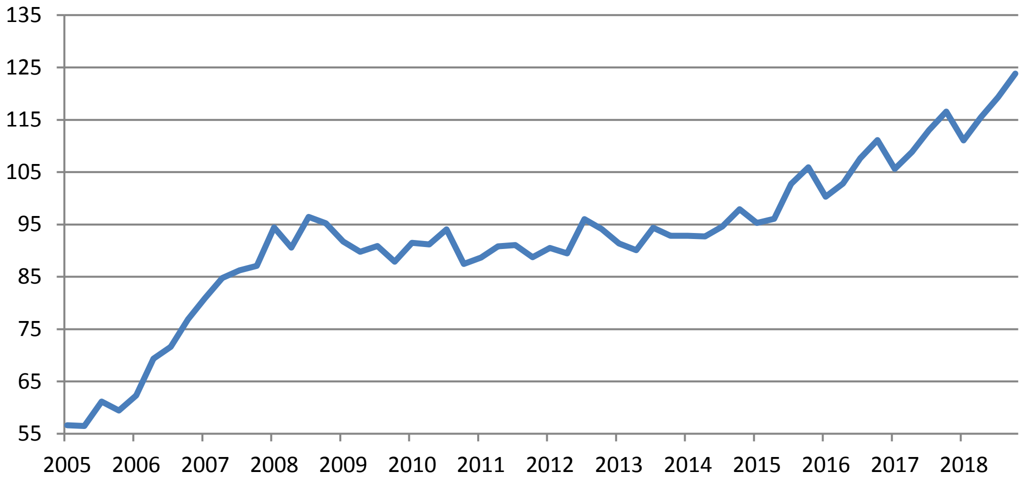


Source: Central Bank of Malta

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 2018 and shows that said prices increased by 6.2% compared with the same quarter of 2017 (vide Charts II below).

[2] Central Bank of Malta, Property Price Index

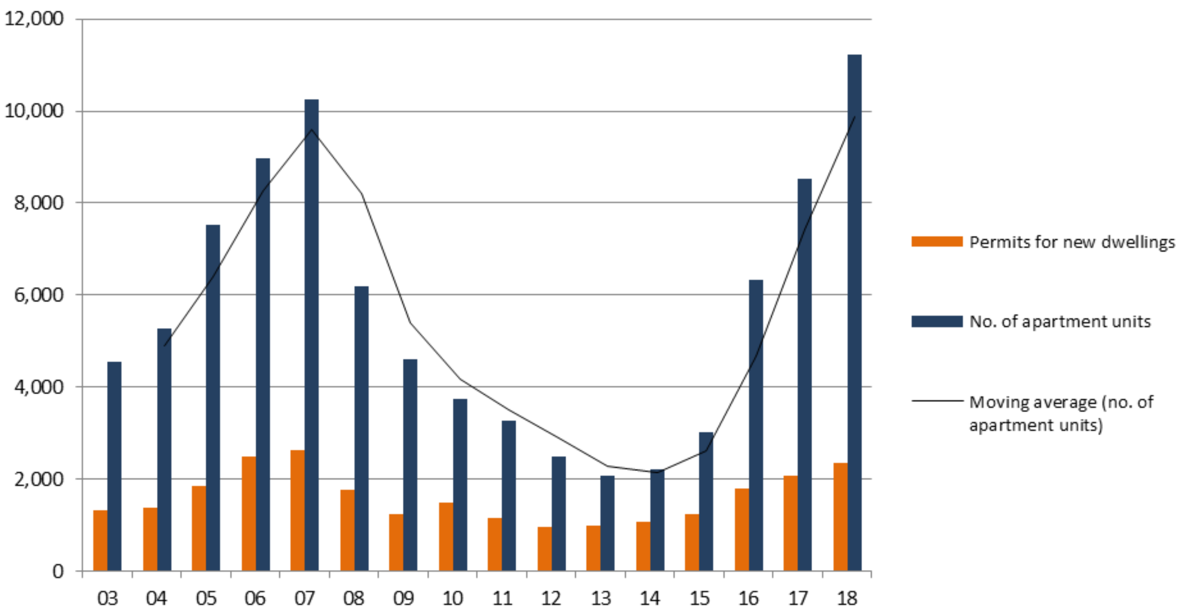
CHART II: Malta House Price Index



Source: Eurostat

The percentage change of total permits peaked in 2016 at 90.2%, and thereafter increased by 30.8% and 31.2% in 2017 and 2018 respectively. During 2018, the number of permits issued by the Planning Authority increased to 12,855 from 9,822 recorded during 2017, an increase of 3,033 permits over the prior year. The increase in permits issued in 2018 was mostly driven by the largest residential category, namely apartments, which accounted for 87.0% of total permits granted.

CHART III: Development Permits for Dwellings



Source: Planning Authority

The gross value added (GVA) from the construction industry rose by 10.3% in 2018 (in nominal terms), from €361.7 million in 2017 to €398.8 million in 2018. Over the past 5 years (2014-2018), GVA from construction increased at a CAGR of 7.3%.[3]

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 presently being developed and others earmarked to commence development in the near future.

[3] Malta National Statistics Office (NSO)

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 2016 to 31 December 2018. The financial information for the year ending 31 December 2019 has been provided by the Company.

Pendergardens Developments p.l.c. Income Statement				
for the year ended 31 December	**2016**	**2017**	**2018**	**2019**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Revenue	7,467	4,910	11,025	22,798
Net operating expenses	(7,294)	(3,931)	(9,752)	(17,046)
EBITDA	**173**	**979**	**1,273**	**5,752**
Depreciation	-	-	(373)	(351)
Adjustment of property to net realisable value	-	-	(2,000)	-
Realised gains on financial assets	814	33	-	-
Fair value movement on investment property	-	3,101	14,700	-
Net finance costs	(660)	(654)	(1,036)	(1,054)
Profit before tax	**327**	**3,459**	**12,564**	**4,347**
Taxation	(253)	(471)	(1,255)	(1,057)
Profit for the year	**74**	**2,988**	**11,309**	**3,290**
Other comprehensive income				
Fair value gains on financial investments	(265)	(57)	-	-
Total comprehesive income (expense) for the year net of tax	**(191)**	**2,931**	**11,309**	**3,290**

Pendergardens Developments p.l.c. Cash Flow Statement				
for the year ended 31 December	**2016**	**2017**	**2018**	**2019**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
Net cash from operating activities	(50)	(9,321)	2,210	(10,749)
Net cash from financing activities	15,666	829	(79)	-
Net movement in cash and cash equivalents	**15,616**	**(8,492)**	**2,131**	**(10,749)**
Cash and cash equivalents at beginning of year	6,091	21,707	13,215	15,346
Cash and cash equivalents at end of year	**21,707**	**13,215**	**15,346**	**4,597**

Pendergardens Developments p.l.c. Statement of Financial Position				
as at 31 December	**2016**	**2017**	**2018**	**2019**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	-	-	8,133	7,782
Investment property	-	4,545	32,800	32,800
Reserve fund	150	1,300	1,252	17,967
Other receivables	-	-	250	-
	150	5,845	42,435	58,549
Current assets				
Inventory - development project	33,963	39,391	16,322	13,206
Trade and other receivables	5,576	9,669	5,443	4,490
Available-for-sale investments	1,141	-	-	-
Taxation	736	469	506	571
Cash and cash equivalents	21,707	13,215	15,346	4,597
	63,123	62,744	37,617	22,864
Total assets	**63,273**	**68,589**	**80,052**	**81,413**
EQUITY				
Equity and reserves	**11,488**	**14,418**	**25,712**	**29,002**
LIABILITIES				
Non-current liabilities				
Borrowings	41,461	41,250	41,253	41,340
Deferred tax liabilities	-	227	940	940
	41,461	41,477	42,193	42,280
Current liabilities				
Trade and other payables	10,324	12,694	12,147	10,131
	10,324	12,694	12,147	10,131
	51,785	**54,171**	**54,340**	**52,411**
Total equity and liabilities	**63,273**	**68,589**	**80,052**	**81,413**

Key Accounting Ratios	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
Operating profit margin *(EBITDA/revenue)*	2%	20%	12%	25%
Net profit margin *(Profit after tax/revenue)*	1%	61%	103%	14%
Earnings per share (€) *(Profit after tax/number of shares)*	0.01	0.33	1.25	0.36
Net assets per share (€) *(Net asset value/number of shares)*	1.27	1.59	2.83	3.19
Asset cover ratio (times) *(Inventories plus receivables less current liabilities/net debt)*	1.57	1.30	0.37	0.21
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	62%	65%	49%	39%

Source: Charts - a division of MeDirect Bank (Malta) plc

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 generated revenue from the sale of one Block 16 apartment, three car spaces and the sale of the ground floor commercial area underlying Block 17, including three adjacent retail outlets. Net operating expenses amounted to €3.9 million and the resultant EBITDA amounted to €979,000. In FY2017, Block 16 commercial property was transferred from inventory (development project) to investment property at fair value (€4.5 million) as determined by an independent architect. As such, a gain on fair value movement of €3.1 million was accounted for in the income statement. Overall, the Company registered a profit for the year of €3.0 million (FY2016: €74,000) and total comprehensive income of €2.9 million (FY2016: loss of €191,000).

The above described investment property amounting to €4.5 million is included as a non-current asset in the statement of financial position as at 31 December 2017. Current assets on same date amounted to €64.0 million and mainly consist of: inventory – development project relating to construction works on Block 17 and Towers I & II amounting to €39.4 million; advance payments to fellow subsidiary in connection with construction works and receivables on sale of commercial property amounting to €7.6 million (classified as trade and other receivables); and cash and cash equivalents of €13.2 million.

Current liabilities of €12.7 million mainly comprise deposits on promise of sale agreements and accruals. Non-current liabilities of €41.3 million include the listed bonds of the Company – 5.5%

Secured Bonds 2020 and 6% Secured Bonds 2022. During 2017, the Company repurchased and cancelled €288,700 of 5.5% Secured Bonds 2020.

During **FY2018**, the Company generated revenue of €10.8 million, primarily from the sale of 28 apartments in Block 17 and 15 car spaces. Revenue also includes rental income of €0.2 million. Net operating expenses amounted to €9.8 million and the resultant EBITDA amounted to €1.3 million. In FY2018, all of the remaining commercial property including that of Block 17 and Towers I & II, were transferred from inventory - development project to investment property. The entire commercial property was valued by an independent architect at €32.8 million resulting in an increase in fair value of €14.7 million. After taking into consideration the decrease in the value of car spaces transferred to the public car park to align to market value of car spaces recently sold, being an impact of €2.0 million, and accounting for depreciation of €0.3 million and net finance costs of €1.0 million, the total comprehensive income for the year amounted to €11.3 million (FY2017: €2.9 million).

Total assets as at 31 December 2018 stood at €80.1 million (FY2017: €68.6 million), and principally include property, plant & equipment (public car park) as to €8.1 million, investment property (commercial space in Block 17 and Towers I & II) amounting to €32.8 million, inventory (property development work in progress) amounting to €16.3 million and cash balances of €15.3 million. The consideration due on the acquisition of an additional 3,548m^2 car parking space of €4.2 million was off-set against amount receivable from parent company as well as a reduction in both advance payments to the fellow subsidiary and other receivables.

Current liabilities of €12.1 million mainly comprise deposits on promise of sale agreements and accruals due in relation to construction works on Block 17, Towers I & II and an amount due to the trustee. Non-current liabilities of €41.2 million include the listed bonds of the Company – 5.5% Secured Bonds 2020 and 6% Secured Bonds 2022. During 2018, the Company re-purchased and cancelled €288,700 of 5.5% Secured Bonds 2020.

During **FY2019**, the Company is projecting to generate revenue of €22.8 million, primarily from the remaining residential sale units in Block 17 and residential units in Towers I & II. Also, the Company is expecting a significant increase in rental income following the lease agreements signed for offices and retail areas within Block 16 and 17, and Towers I & II. Consequently, EBITDA is forecasted to increase to €5.8 million compared to €1.3 million in FY2018. After accounting for depreciation of €0.3 million and net finance costs of €1.1 million, profit for the year is expected to reach €3.3 million (FY2018: €11.3 million).

Total assets as at 31 December 2019 is expected to amount to €58.5 million, comprising the car park valued at €7.8 million (property, plant & equipment), commercial space (investment property) as to €32.8 million, inventory amounting to €13.2 million and cash balance of €4.6 million. The reserve fund which was set up for the repayment of the Bonds is projected to amount to €18.0 million. Total liabilities are forecasted to amount to €52.4 million, principally consisting of the outstanding Secured Bonds of €41.3 million.

Variance Analysis

Pendergardens Developments p.l.c. Income Statement			
for the year ended 31 December	**2018**	**2018 as**	
	Actual	**Forecasted**	**Variance**
	€'000	**€'000**	**€'000**
Revenue	11,025	17,996	(6,971)
Net operating expenses	(9,752)	(15,142)	5,390
EBITDA	**1,273**	**2,854**	**(1,581)**
Depreciation	(373)	(365)	(8)
Adjustment of property to net realisable value	(2,000)	-	(2,000)
Fair value movement on investment property	14,700	-	14,700
Net finance costs	(1,036)	(973)	(63)
Profit before tax	**12,564**	**1,516**	**11,048**
Taxation	(1,255)	(962)	(293)
Profit for the year	**11,309**	**554**	**10,755**
Total comprehesive income for the year net of tax	**11,309**	**554**	**10,755**

As presented in the above table, the Company recognised lower revenue in FY2018 than forecasted by €7.0 million, due to the fact that a number of sale contracts were concluded in Q1 2019 instead of Q4 2018 (as initially projected). The decrease in revenue adversely impacted actual EBITDA by €1.6 million.

Actual results were positively impacted by a net gain in fair value movement on investment property of €14.7 million, which was partly mitigated by a €2.0 million reduction in net realisable value of property, plant & equipment. Taxation was higher by €293,000 principally due to deferred tax expense on the afore-mentioned investment property. Overall, total comprehensive income in FY2018 amounted to €11.3 million as compared to a projected forecast of €0.6 million.

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 2016 and 2017, irrespective of whether the initial €25 million of net sales proceeds have been accumulated. During the year ended 31 December 2018, the Company re-purchased and cancelled €78,800 of 6% Secured Bonds 2022. The cash balance in the sinking fund reserve at year end amounted to €1.3 million.

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

In January 2017, the Company sold all 'available-for-sale investments', which at 31 December 2016 had a value of €1.1 million, and realised a profit on disposal of €33,334. As at 31 December 2017 and 31 December 2018, the Company had no 'available-for-sale investments'.

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.

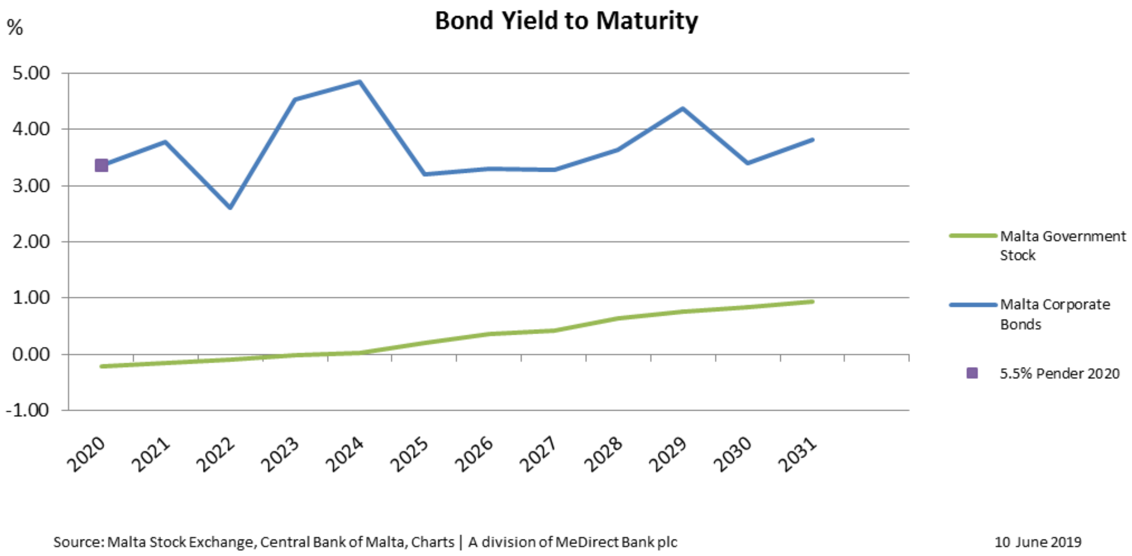
PART 3 - COMPARABLES

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 (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	**14,711,300**	**3.36**	**1.23**	**80,052**	**25,712**	**48.95**
6.00% Pendergardens Dev. plc Secured € 2022 Series II	**26,921,200**	**2.60**	**1.23**	**80,052**	**25,712**	**48.95**
4.25% Gap Group plc Secured € 2023	19,931,000	3.48	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.53	1.19	21,625	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	1.98	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.84	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.35	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.50	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.41	1.41	120,794	38,318	54.97
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.02	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.81	2.09	5,499	- 19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.91	2.59	1,765,072	901,595	40.43
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.63	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.30	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.59	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.86	10.08	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.75	5.93	229,882	63,771	50.15
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.27	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.32	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.63	3.27	408,204	82,870	73.40

10 June '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank plc



To date, there are no corporate bonds which have a redemption date beyond 2031. 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.