COMPANY ANNOUNCEMENT

The following is a company announcement issued by Pendergardens Developments plc pursuant to Chapter 5 of the Listing Rules:

Quote

The Board of Directors of Pendergardens Developments plc wishes to inform the general public that the updated Financial Analysis Summary of the Company has been approved. A copy of the Financial Analysis Summary is attached and is also available on the Company's website at:

https://pendergardens.com/investors/announcements/

Unquote

Dr. Massimo Vella
Company Secretary

11th June 2021

Pendergardens Developments Plc
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www.pendergardens.com
Registered office – GB Buildings, Triq Il-Watar, Ta'Xbiex XBX 1301
Company registration: C58098

Financial Analysis Summary

11 June 2021

Issuer

Pendergardens Developments p.l.c.

(C58098)

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Directors
Pendergardens Developments p.l.c.
Pendergardens Business Centre
14, Level 1
St Andrew's Road
St Julian's STJ 9023

11 June 2021

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 in 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 2018 to 31 December 2020, 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 2021 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 information 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.

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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
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

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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.

The Company completed development works relating to Pendergardens Tower in May 2020. Accordingly, as at the date of this report, the Company is primarily involved in marketing for sale the last remaining 7 residential units within Tower Residences, and marketing for sale or lease the retail and office space located in Block 16, Block 17 and Pendergardens Tower.

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 Pendergardens Tower (comprising Pendergardens Tower Residences and Pendergardens Business Centre

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 units at Pendergardens Tower Residences; sold The Exchange and completed first deed of supermarket and retail areas; signed 11 pre-sale agreements for units at Pendergardens Tower Residences and first lease agreement for office space at Pendergardens Business Centre

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

2020 Development of Pendergardens Tower was completed in May 2020

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

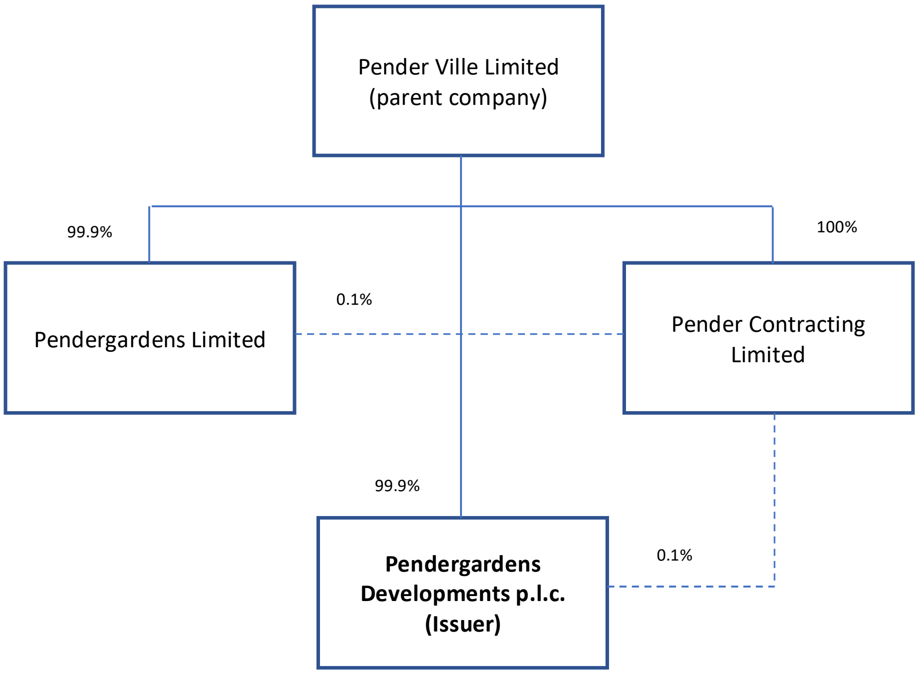
The Company has no employees and therefore is reliant on the resources seconded to it by its parent company, Pender Ville Limited. The names and responsibilities of the latter's senior management are set out hereunder:

Senior Management

Emmanuel Briffa	Chief Operating Officer
Natalie Scerri	Financial Controller
Ernest Debono	Cost Manager & Quantity Surveyor

4. 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:



5. CORPORATE GOVERNANCE

5.1 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.

5.2 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 2020 was as follows:

Members	***Attended***
Edmund Gatt Baldacchino	9
Edward Licari	9
John Attard	9
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 nine times during the year ended 31 December 2020 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. No meetings were held during 2020 since the Company did not hold any available-for-sale investments.

5.3 Other Information

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

6. MAJOR ASSETS & OPERATIONAL DEVELOPMENT OF THE COMPANY

6.1 Block 16

Block 16 comprises 46 apartments, 4 levels of underlying car spaces and *circa* 807m^2 of retail area. The deed for the last remaining 3-bedroom duplex penthouse unit in Block 16 with 2 car spaces was signed in May 2019 for the consideration of €1.1 million.

6.2 Block 17 and Pendergardens Tower

Block 17 and Pendergardens Tower 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 includes seven floors of residential units and Pendergardens Tower comprises seven levels of office space (lettable area of *circa* 5,200m^2) (known as Pendergardens Business Centre) and a further eight levels of residential units (known as Pendergardens Tower Residences). The top two floors of the Pendergardens Tower Residences have been developed into two duplex penthouses. The offices and residences at Pendergardens Tower have separate entrances, lobbies and lifts.

The last remaining 3 residential units within Block 17 together with 3 car spaces were sold in January 2020 for the aggregate value of €2.14 million.

Development works relating to Pendergardens Tower were completed in May 2020.

6.3 Business Development Strategy

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.

The operations of the public car park were strongly impacted by COVID-19 restrictions since entertainment venues in the area were on lockdown for several weeks in 2020. Besides, demand for parking space during office hours also experienced a downturn due to remote working. Nonetheless, overall occupancy and financial results showed an improvement over 2019, reflecting the Company's commitment to remain competitive and improve occupancy levels.

PENDERGARDENS TOWER RESIDENCES

Pendergardens Tower Residences comprises 28 three-bedroom residential units and 2 three-bedroom duplex penthouses each having an outdoor pool and sky terraces. During 2019, 9 residential units and a penthouse together with 11 car spaces were sold for a total consideration of €13.9 million. In 2020, a further 9 residential units and 10 car spaces were sold for €9.2 million. As at 31 December 2020, 4 residential units valued at *circa* €3.7 million (including associated car spaces) were subject to preliminary sale agreements. Remaining stock for sale at year end included 6 residential units and 1 penthouse.

The pricing strategy for the Pendergardens Tower 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

Commercial property situated at Pendergardens comprises a total gross area of *circa* 16,400m^2 (consisting of a retail podium under Blocks 16 and 17 and Pendergardens Business Centre). Other than the supermarket and the adjacent 3 retail units sold in 2017, both the office and retail areas of Block 16, Block 17 and Pendergardens Business Centre are available on the market for sale or lease.

As of 31 December 2020, seven lease agreements have been signed. Four agreements are for retail units, three within Block 16 and one within Pendergardens Tower. Three other agreements are in respect of 5 floors out of the 7 office floors available within Pendergardens Business Centre. The Company has intensified its efforts to lease the remaining office and retail areas.

7. MARKET OVERVIEW

7.1 Malta Economic Update[1]

Malta's economy should see a robust recovery in 2021 and 2022, provided that the tourism sector opens up safely. The recovery is expected to be driven by a rebound in tourism-related services exports, household consumption and investment. Given the supportive fiscal policy stance, the general government deficit is set to widen further in 2021 before improving in 2022 on the back of an accelerating recovery and a winding-down of fiscal support measures.

The COVID-19 pandemic has decimated tourism proceeds and made a deep dent in consumption. Malta's GDP[2] fell significantly in 2020 with services exports and household consumption contracting sharply under the pressure of the pandemic and related safety measures. On the contrary, financial services and gaming sector exports continued to perform robustly. Although the pandemic has clearly depressed economic activity in Malta, the government's sizeable stimulus package has managed to partially offset some of the impact. Wage supplement schemes and other business support measures appear to have cushioned the drop in consumption.

Consumption and investment are expected to pick up as the recovery takes hold, helped by high levels of accumulated savings. The faster-than-expected rollout of vaccinations in Malta, the high rate of vaccination in the UK, and a gradual easing of restrictions in the EU, should put the tourism sector back on the path to recovery in the second half of 2021 and re-invigorate domestic demand. In 2021, real GDP growth is expected to reach 4.6%, mainly driven by domestic consumption and net exports, as inbound tourism and global trade recover. Robust government expenditure is likely to continue supporting the economy, including via public investment. With both exports and imports recovering, the current account deficit is still expected to widen this year before starting to decrease in 2022.

Supported strongly by policy measures, headcount employment actually increased in 2020 especially in the public sector, professional services, and construction, while there was only a limited increase in Malta's unemployment rate, to 4.3% from 3.6% in 2019. As employment is expected to continue growing at a slow pace, the decrease in unemployment is expected to be gradual.

Harmonised Index of Consumer Prices (HICP)[3] inflation averaged 0.8% in 2020, contained mainly by lower energy and services inflation against a backdrop of contracting demand. In 2021, inflation is expected to rise to 1.2% as domestic demand and tourism services recover. In line with a stronger economic recovery in 2022, inflation is set to increase further to 1.5%.

The government deficit increased to over 10% of GDP in 2020. The major increase in expenditure related to pandemic-mitigating measures was the main reason behind the deteriorating fiscal balance. These measures included a wage support scheme, a voucher scheme to support the hospitality and

[1] Economic Forecast – Spring 2021 (European Commission Institutional Paper 149 May '21).

[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

retail sectors, utility and rent subsidies for businesses, and healthcare-related outlays, which overall amounted to somewhat less than 6.5% of GDP in 2020. On the revenue side, the steep fall in household and tourist consumption led to a drop in indirect tax revenue. Corporate tax revenues plunged, reflecting the worsened profitability of companies. Sustained by government measures and the relatively good performance of the labour market, revenue from social contributions actually increased.

In 2021, the government deficit is projected to increase further to 11.8% of GDP reflecting ongoing supportive fiscal policy. Growing private consumption and a gradual revival of tourism are expected to support the government's intake from indirect taxes. Revenue from income taxes is projected to grow in line with modest wage growth and the stabilised operating environment for businesses. Proceeds from the investor citizenship scheme are expected to stabilise at last year's level. The measures to sustain the recovery including the extended wage supplement scheme, a new round of the voucher scheme, and newly introduced measures to restore the tourism sector, are expected to continue in 2021. As the economy accelerates and economic support measures wear off, the deficit is forecast to decline in 2022 to around 5.5% of GDP.

The government debt-to-GDP ratio surged to 54.3% in 2020 following the deterioration of the fiscal position. Reflecting ongoing high primary deficits, the debt ratio is set to increase further and reach 65.5% in 2022.

7.2 Property Market

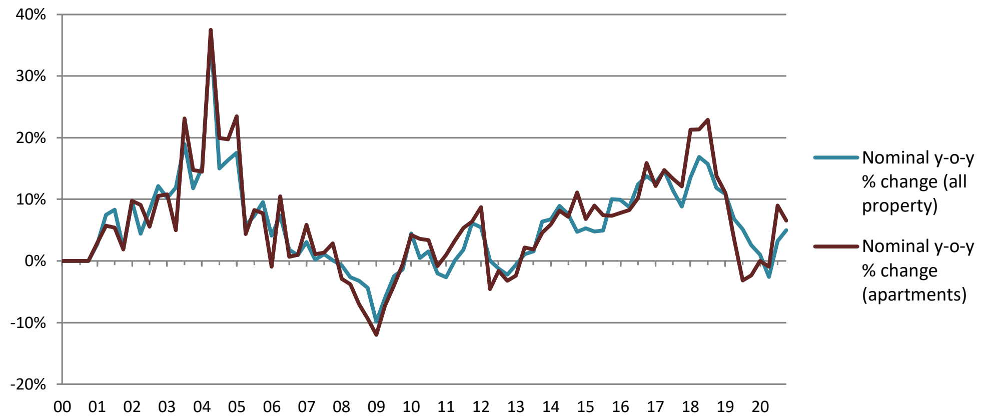
During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[4] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020,

[4] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).

prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

CHART I: Change in Property Prices

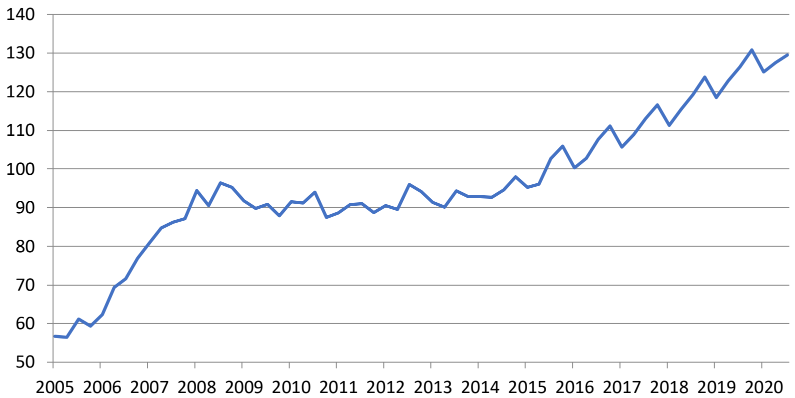


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta[5] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as

[5] https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[6]

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

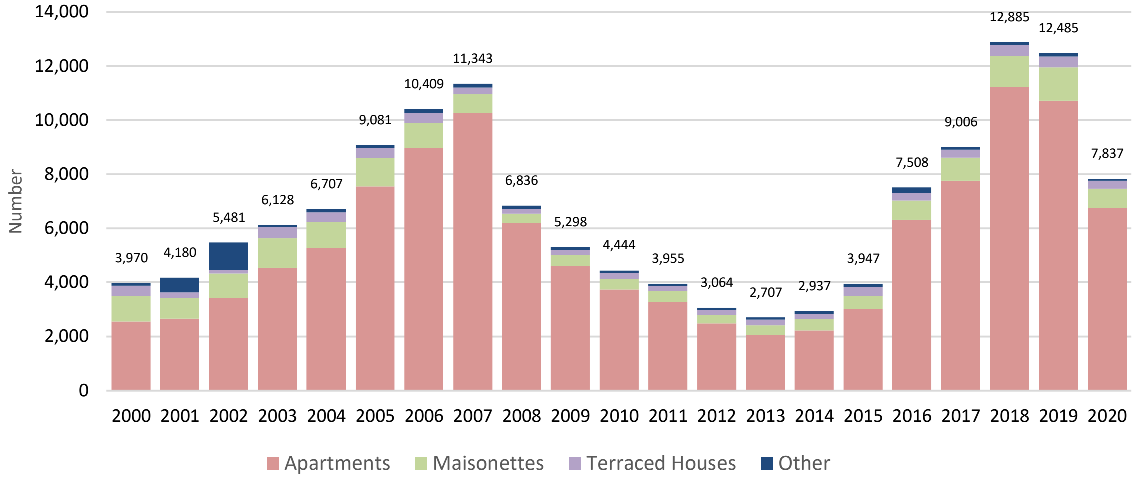
In the first quarter of 2021, 3,213 final deeds of sale were registered, an annual increase of 8.7% (Q1 2020: 2,956 deeds). The value of deeds registered during this period rose by 15.2% over the same quarter of the previous year and amounted to €649.7 million. In Q1 2021, the number of promise of sale agreements reached 3,980. This represents an annual increase of 56.9%.[7]

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to the decline in permits issued in 2020 of 37% compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

[6] Central Bank of Malta Quarterly Review 2020:1 (page 43).
[7] https://nso.gov.mt/en/News_Releases/Documents/2021/04/News2021_069.pdf

CHART III: Development Permits for Dwellings (number of units)



Although the construction industry was not part of the containment measures taken by Government to stem the spread of COVID-19, this sector was impacted indirectly as market sentiment changed from an optimistic outlook to a more cautious one. More clarity on the impact of this pandemic on the economy will be required before investors can regain confidence to pursue sizable development opportunities.

With regard to commercial property in Malta, related market data is not currently available and thus it is more difficult to gauge the health of this sector. Prior to COVID-19, 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) generated a positive trend in the commercial property sector, in particular office space.

Going into 2021, there are still multiple uncertainties over COVID-19 and its impact on people's health, freedom of movement and the global economy. Vaccine rollouts, travel restrictions and return to workplace policies remain major barriers and accordingly, it is too early to reliably determine the full impact of the pandemic on the commercial property sector in Malta. It is probable that commercial rent rates will trend lower in the near term and may continue in this trajectory until there is a return to normality coupled with a better outlook in terms of demand for such property.

PART 2 – COMPANY PERFORMANCE REVIEW

8. 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 2018 to 31 December 2020. The financial information for the year ending 31 December 2021 has been provided by the Company.

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.

The Directors have prepared the FY2021 projections using a baseline scenario adopting prudent assumptions. The assumptions factor in the expectation of very limited changes in the Company's operations given that to date the project is complete and most of the Company's inventory is either sold or subject to promise of sale agreements. Accordingly, the satisfactory completion of final deeds for properties currently subject to promise of sale agreements has been assumed as well as conservative property sales in relation to available units. With regard to the car park, the Directors have assumed an increase in revenue in the second half of the financial year in line with the expected gradual easing of COVID-19 restrictions and consequential re-opening of the economy.

Pendergardens Developments p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Revenue, net of commissions	11,025	22,115	12,766	8,731
Net operating expenses	(9,752)	(15,764)	(9,177)	(6,264)
EBITDA	**1,273**	**6,351**	**3,589**	**2,467**
Depreciation	(373)	(312)	(314)	(354)
Adjustment of property to net realisable value	(2,000)	-	-	-
Fair value movement on investment property	14,700	-	-	-
Finance income	44	22	4	-
Finance costs	(1,080)	(1,717)	(2,003)	(1,565)
Profit before tax	**12,564**	**4,344**	**1,276**	**548**
Taxation	(1,255)	(1,713)	(128)	(354)
Profit for the year	**11,309**	**2,631**	**1,148**	**194**
Total comprehesive income for the year net of tax	**11,309**	**2,631**	**1,148**	**194**

Pendergardens Developments p.l.c. Earnings before interest, taxation, depreciation & amortisation (EBITDA) for the year ended 31 December	2018 Actual €'000	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000
EBITDA has been calculated as follows:				
Operating profit	13,600	6,039	3,275	2,113
Adjustments:				
Adjustment of property to net realisable value	2,000	-	-	-
Fair value movement on investment property	(14,700)	-	-	-
Depreciation	373	312	314	354
EBITDA	**1,273**	**6,351**	**3,589**	**2,467**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Operating profit margin *(EBITDA/revenue)*	12%	29%	28%	28%
Interest cover (times) *(EBITDA/finance cost)*	1.18	3.70	1.79	1.58
Net profit margin *(Profit after tax/revenue)*	103%	12%	9%	2%
Earnings per share (€) *(Profit after tax/number of shares)*	1.25	0.29	0.13	0.02
Return on equity *(Profit after tax/shareholders' equity)*	44%	9%	4%	1%
Return on capital employed *(EBITDA/total assets less current liabilities)*	2%	11%	7%	8%
Return on assets *(Profit after tax/total assets)*	14%	3%	2%	0%

Source: MZ Investment Services Limited

In **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 included 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, the remaining commercial property, including that of Block 17 and Pendergardens Business Centre, was 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. The value of car spaces transferred to the public car park was reduced by €2.0 million in line with the market value of car spaces recently sold. After accounting for depreciation of €0.3 million and net finance costs of €1.0 million, total comprehensive income for the year amounted to €11.3 million (FY2017: €2.9 million).

In **FY2019**, the Company generated €21.4 million in revenue, out of aggregate revenue of €22.1 million, from the sale of residential units and car spaces in Block 16, Block 17 and Pendergardens Tower Residences. The balance of revenue was derived from rental income and car park revenues as to €562,000 and €144,000 respectively. EBITDA was materially higher when compared to FY2018, from €1.3 million to €6.4 million.

Net finance costs for the year amounted to €1.7 million compared to €1.0 million a year earlier. The substantial y-o-y variance is mainly driven by the fact that in prior years an element of interest payable was capitalised with inventory relating to property under construction. Overall, profit after tax in FY2019 amounted to €2.6 million (FY2018: €11.3 million).

Revenue for **FY2020** amounted to €12.8 million compared to €22.1 million generated in the prior year. During the year, total consideration received from sales of apartments and car spaces amounted to €11.3 million (FY2019: €21.4 million), while the remaining balance represented rental income of €1.3 million (FY2019: €0.6 million) and car park revenues of €0.2 million (FY2019: €0.1 million).

EBITDA in FY2020 amounted to €3.6 million, a decrease of €2.8 million (-43%) from the prior year. After accounting for depreciation of €0.3 million (FY2019: €0.3 million) and finance costs of €2.0 million (FY2019: €1.7 million), the Company reported a profit before tax of €1.3 million compared to €4.3 million in FY2019. Overall, total comprehensive income in FY2020 amounted to €1.1 million (FY2019: €2.6 million).

The operating profit margin of the Company remained stable at 28% compared to 29% in the previous year while net profit margin declined by 3 percentage points to 9% (FY2019: 12%).

In **FY2021** the Company is expected to generate €8.7 million in revenue (FY2020: €12.8 million) and register an EBITDA of €2.5 million compared to €3.6 million in FY2020. In terms of sales, 2 residential units have been sold in January 2021 and the Directors have assumed that a further 5 residential units, which are presently subject to promise of sale agreements, will be converted to sales. As such, remaining stock of residential units as at 31 December 2021 is projected to comprise 3 apartments and 1 penthouse.

Furthermore, management expects to complete the sale of a number of car spaces to Valyou Supermarket. The projections also include *circa* €1.5 million of rental income and car park revenues.

Depreciation is projected to remain broadly unchanged at €354,000 while finance costs are expected to decrease by 22% from €2.0 million in FY2020 to €1.6 million. Profit after tax is expected to decrease from €1.1 million in FY2020 to €194,000.

Pendergardens Developments p.l.c. **Statement of Financial Position** **as at 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	8,133	7,877	7,584	8,466
Investment property	32,800	32,800	32,800	31,564
Reserve fund	1,252	1,931	4,992	-
Other receivables	250	525	-	-
	42,435	43,133	45,376	40,030
Current assets				
Inventory - development project	16,322	12,583	7,396	2,184
Trade and other receivables	5,443	4,439	2,233	3,486
Reserve fund	-	14,711	-	10,620
Taxation	506	325	758	544
Cash and cash equivalents	15,346	7,727	4,815	682
	37,617	39,785	15,202	17,516
Total assets	**80,052**	**82,918**	**60,578**	**57,546**
EQUITY				
Share capital	9,079	9,079	9,079	9,079
Revaluation reserve	16,161	16,161	16,161	16,161
Retained earnings	472	3,103	4,251	4,445
Total equity	**25,712**	**28,343**	**29,491**	**29,685**
LIABILITIES				
Non-current liabilities				
Borrowings	41,253	26,628	21,684	-
Deferred tax liabilities and other provisions	940	2,334	2,334	2,334
	42,193	28,962	24,018	2,334
Current liabilities				
Borrowings	-	14,711	-	21,684
Trade and other payables	12,147	10,902	7,069	3,843
	12,147	25,613	7,069	25,527
	54,340	**54,575**	**31,087**	**27,861**
Total equity and liabilities	**80,052**	**82,918**	**60,578**	**57,546**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Gearing ratio *(Total net debt/net debt and shareholders' equity)*	49%	37%	29%	26%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	0.96	0.60	0.40	0.35
Net debt to EBITDA (years) *(Net debt/EBITDA)*	19.37	2.67	3.31	4.21
Net assets per share (€) *(Net asset value/number of shares)*	2.83	3.12	3.25	3.27
Liquidity ratio (times) *(Current assets/current liabilities)*	3.10	1.55	2.15	0.69

Source: MZ Investment Services Limited

Total assets as at 31 December 2020 amounted to €60.6 million (FY2019: €82.9 million), a decrease of 22.3 million from the previous year. The principal movements included a decrease in reserve fund and cash balances of €17.6 million which funds were primarily utilised to repay the outstanding balance of the €15 million 5.5% Secured Bonds 2020 and to repurchase for cancellation €5.0 million of the €27 million 6% Secured Bonds 2022; and a decrease of €5.2 million in the value of inventory following the sales of a number of apartments and car spaces during the year.

The Company's borrowings were reduced from €41.3 million in FY2019 to €21.7 million, which balance relates entirely to the outstanding amount due on the 6% Secured Bonds 2022. In consequence, the gearing ratio of the Company has been reduced from 37% in FY2019 to 29% in FY2020. Current liabilities of €7.1 million (FY2019: €10.9 million) mainly comprise deposits on promise of sale agreements of €1.2 million and accruals & deferred income of €5.5 million.

In FY2021, total assets are expected to principally comprise investment property and property, plant & equipment amounting to €40.0 million (FY2020: €40.4 million), inventory of units available for sale of €2.2 million (FY2020: €7.4 million) and cash balances (including reserve fund) amounting to €11.3 million (FY2020: €9.8 million).

Total liabilities are projected to amount to €27.9 million (FY2020: €31.1 million) and will mainly include €21.7 million of outstanding debt securities (6% Secured Bonds 2022). As such, total equity is expected to increase from €29.5 million in FY2020 to €29.7 million.

Pendergardens Developments p.l.c. **Cash Flow Statement** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Net cash from operating activities	2,210	(7,563)	16,857	(3,783)
Net cash from investing activities	-	(56)	(22)	(310)
Net cash from financing activities	(79)	-	(19,747)	(40)
Net movement in cash and cash equivalents	**2,131**	**(7,619)**	**(2,912)**	**(4,133)**
Cash and cash equivalents at beginning of year	13,215	15,346	7,727	4,815
Cash and cash equivalents at end of year	**15,346**	**7,727**	**4,815**	**682**

Net cash from operating activities amounted to €16.9 million in FY2020 compared to a cash outflow of €7.6 million in FY2019, mainly on account of favourable movements in working capital. During the reviewed year, the Company utilised €19.7 million to redeem in full the 5.5% Secured Bonds 2020 and repurchase from the market €5.0 million of the 6% Secured Bonds 2022.

In FY2021, net cash used in operating activities of €3.8 million has been projected due to the impact of working capital movements. Overall, cash and cash equivalents are expected to amount to €682,000.

9. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 2 June 2020 and the audited financial statements for the year ended 31 December 2019.

Pendergardens Developments p.l.c. **Statement of Comprehensive Income** **for the year ended 31 December 2020**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Revenue, net of commissions	12,766	14,199	(1,433)
Net operating expenses	(9,177)	(9,267)	90
EBITDA	**3,589**	**4,932**	**(1,343)**
Depreciation	(314)	(327)	13
Finance income	4	-	4
Finance costs	(2,003)	(1,937)	(66)
Profit before tax	**1,276**	**2,668**	**(1,392)**
Taxation	(128)	(820)	692
Profit for the year	**1,148**	**1,848**	**(700)**
Total comprehesive income for the year net of tax	**1,148**	**1,848**	**(700)**

As presented in the above table, actual revenue in FY2020 was lower than expected by €1.4 million, primarily due to the postponement of two promise of sale agreements to 2021. In addition, there was a slower uptake of commercial spaces due to COVID-19, coupled with rent rebates granted to existing tenants during the partial lockdown. The operations of the public car park were similarly impacted by COVID-19 restrictions. As such, the decrease in revenue adversely impacted the Company's profit before tax by €1.4 million.

Pendergardens Developments p.l.c.
Statement of Financial Position
as at 31 December 2020

	Actual €'000	Forecast €'000	Variance €'000
ASSETS			
Non-current assets			
Property, plant & equipment	7,584	7,701	(117)
Investment property	32,800	32,800	-
Reserve fund	4,992	11,592	(6,600)
	45,376	52,093	(6,717)
Current assets			
Inventory - development project	7,396	6,670	726
Trade and other receivables	2,233	3,980	(1,747)
Taxation	758	221	537
Cash and cash equivalents	4,815	2,449	2,366
	15,202	13,320	1,882
Total assets	**60,578**	**65,413**	**(4,835)**
EQUITY			
Share capital	9,079	9,079	-
Revaluation reserve	16,161	16,161	-
Retained earnings	4,251	4,951	(700)
Total equity	**29,491**	**30,191**	**(700)**
LIABILITIES			
Non-current liabilities			
Borrowings	21,684	26,628	(4,944)
Deferred tax liabilities and other provisions	2,334	940	1,394
	24,018	27,568	(3,550)
Current liabilities			
Trade and other payables	7,069	7,654	(585)
	7,069	7,654	(585)
	31,087	**35,222**	**(4,135)**
Total equity and liabilities	**60,578**	**65,413**	**(4,835)**

The balance in the reserve fund was lower than expected by €6.6 million, primarily due to *circa* €5.0 million of bond buybacks which were not anticipated, and transfers made to the reserve were lower than expected as a result of the postponement of 2 promise of sale agreements to FY2021. In current assets, cash balances were higher than projected by €2.4 million while receivables were lower than expected by €1.7 million.

Borrowings were lower than expected by €4.9 million, reflective of the bond buybacks mentioned above.

Pendergardens Developments p.l.c. **Cash Flow Statement** **for the year ended 31 December 2020**			
	Actual	**Forecast**	**Variance**
	€'000	**€'000**	**€'000**
Net cash from operating activities	16,857	(5,128)	21,985
Net cash from investing activities	(22)	(150)	128
Net cash from financing activities	(19,747)	-	(19,747)
Net movement in cash and cash equivalents	**(2,912)**	**(5,278)**	**2,366**
Cash and cash equivalents at beginning of year	7,727	7,727	-
Cash and cash equivalents at end of year	**4,815**	**2,449**	**2,366**

Actual net movement in cash and cash equivalents was higher than projected by €2.4 million.

The positive variance in operating activities of €22.0 million and the adverse variance in finance activities of €19.7 million is the result of accounting reclassifications.

10. RESERVE ACCOUNT

In FY2020, the amount of €14.7 million from the sinking fund reserve was utilised to fully redeem the 5.5% Secured Bonds 2020, while €5.0 million was used for the purpose of buying back from the market the 6% Secured Bonds 2022.

As at 31 December 2020, the balance in the sinking fund reserve amounted to €5.0 million (FY2019: €16.6 million).

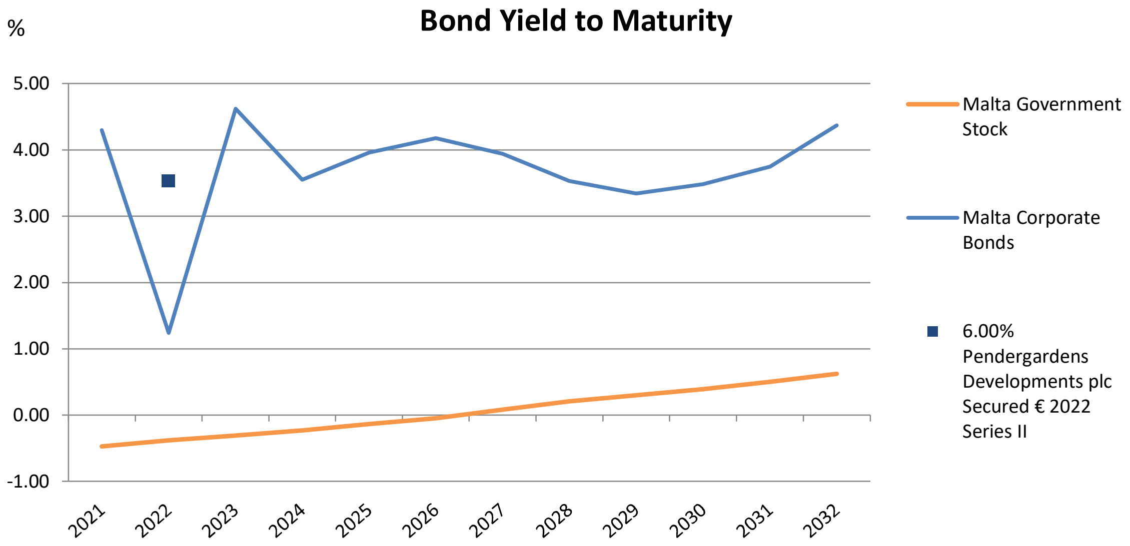
PART 3 – COMPARABLES

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 (%)
5.80% International Hotel Investments plc 2021	20,000,000	4.30	- 0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	30,049,800	1.24	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Seri	**21,845,300**	**3.53**	**1.79**	**60,578**	**29,491**	**36.39**
4.25% GAP Group plc Secured € 2023	19,247,300	2.66	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.62	1.44	36,921	8,038	70.88
5.80% International Hotel Investments plc 2023	10,000,000	4.47	- 0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.76	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	4.16	- 0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.55	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.04	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.31	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,776,400	3.03	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.45	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.34	- 0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.56	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.96	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.18	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.79	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.46	- 0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.32	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.64	- 0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.28	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.96	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.94	- 0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.21	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.53	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.34	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	2.69	0.76	348,657	217,449	25.57

31-May-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 31 May 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The Group's bonds are trading at a yield of 3.53%, which is 229 basis points higher when compared to other corporate bonds maturing in the same year. The premium over FY2022 Malta Government Stock is 391 basis points.

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 and rental income at Pendergardens.
Operating expenses	Operating expenses include the cost of construction, property management 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	
Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset

	was acquired. Such assets primarily include investment property and reserve fund.
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.
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	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
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.
Net debt to operating profit	The net debt to operating profit ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its operating profit. This ratio shows how many years it would take for a company to pay back its debt if net debt and operating profit are held constant.
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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.