



TRIDENT
ESTATES PLC

ANNUAL REPORT 2020/2021

FOR THE YEAR ENDED 31 JANUARY 2021

A REFRESHING APPROACH FOR SUSTAINABLE DEVELOPMENT



TRIDENT PARK
MDINA ROAD, ZONE 2,
CENTRAL BUSINESS DISTRICT,
BIRKIRKARA CBD 2010 MALTA.



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TRIDENT PARK

A REFRESHING APPROACH FOR
SUSTAINABLE DEVELOPMENT

THE BREWHOUSE

TRIDENT PARK





CHAIRMAN'S MESSAGE

It is my pleasure to present the fourth Annual Report of Trident Estates plc since it was listed on the Malta Stock Exchange in January 2018.

Ever since the directors and management of Simonds Farsons Cisk plc sat down over ten years ago to deliberate on how to ensure a fair return for their shareholders on their growing portfolio of properties, the concept of a separately managed property holding group was embraced by all.

What was clear at the time was that whereas the Farsons Group possessed much expertise in the brewing and packaging of beverages, it had much less experience as a property developer; nor could executive management afford to reduce its focus on its own businesses. It was also recognized at the time that for the spin off to be successful it would be necessary for Trident to secure such skills and expertise and to develop strategies to be competitive in what is clearly a complex and competitive market. Well, I am glad to report that both your directors and the management team have been following this line of thinking ever since we established and spun off the Trident Group of companies.

During this difficult pandemic year besides handling and managing the €60 million Trident Park development, the board and management were having to deal with requests from existing tenants for abatements on their rents due to the significant adverse effects that Covid-19 has had on their businesses.

As will be seen from this Annual Report, despite our having to face the challenges of an unprecedented pandemic over these past 18 months, we remain on course to deliver a well-managed property focused Group of companies. And importantly, our prestigious Trident Park investment is on target to welcome its first tenants in September.

Our Chief Executive Officer Charles Xuereb explains in some detail in his report the current state of play on the project. At €60 million, the sheer scale and complexity of the investment has been daunting and managing the development has required specific project management skills which Farsons had acquired with the many significant capital investment projects that had been undertaken over recent years. Therefore, the Trident team has benefitted from the expertise of a number of technical managers who had worked on these large projects.

The Trident Group's business model is based on the ownership and rental of prime commercial properties. Its performance depends much on the health of the Island's commercial sector. At this time, it remains unclear what the long-term effect of the pandemic on the Island's economy might be. Equally, the rental rates we can achieve on all our properties will depend on the same factor. Properties in our real estate portfolio are all based in good sites in the more important business locations. Specifically, Trident Park is sited at the newly established Central Business District in Mriehel, and on completion will offer a unique set of attractive features including outdoor garden spaces, a green 'campus style' environment, a 750 space car park, a conference hall, a fully equipped gym, a childcare Centre as well as access to the food and beverage and other outlets that will be available in The Brewhouse - the conversion and rehabilitation of which is a substantial investment being undertaken by Farsons.

Our profitability for the year has been affected by the discounts referred to above which have been extended to current tenants. Operating profit amounted to €362,000 (2020: €484,000) whilst the profit before tax amounted to €741,000 (2020: €328,000) and after tax €550,000 (2020: €74,000). These results include fair value movements on investment property amounting to €562,000. This uplift reflects a valuation exercise conducted by an independent firm of architects in the first quarter of 2021 and approved by the board of directors. The board consider the valuations adopted to represent a prudent assessment of current values. At this stage, the Trident Park development is accounted for at historical cost.



Whilst the effective tax rate has decreased compared to last year primarily as a result of the deferred tax on the fair value gains on investment property, revenues from “related parties” continue to be disadvantageously treated as these rentals do not benefit from the general 15% tax rule applied to rental incomes. Given that over 60% of the Company’s current rental revenues are generated from what are treated as “related parties” for tax purposes, this is resulting in a higher tax charge than if they are taxed at 15%.

At the time of writing this statement, we have secured over 40% occupancy of the space available at Trident Park. Given the impressive credentials of the development and the interest being shown, your board is cautiously optimistic that the take up of space will gather momentum over the coming months ahead of September 2021, when we are looking forward to receiving our first tenants.

Commercial property is always a long-term investment and looking ahead our strategy is directed at ensuring that the Trident Group delivers steady and reliable results once quality tenants are engaged and income streams are secured. We believe that the unique environmentally friendly proposition within aesthetically pleasing building structures being offered to tenants will contribute to achieving our strategic goals. The old brewery building with its distinctive colonnade walls has in our opinion been rehabilitated in a most tasteful way. As I have already remarked, this project is being developed in tandem with the The Brewhouse project which will complement Trident Park by offering food, beverage and other facilities, an industrial heritage museum on the Farsons story and will be able to host special events which will be available to Trident Park tenants. I believe that our stakeholders be they tenants, employees, shareholders or business partners have already recognized these facts. Hence the increasing level of interest that is being shown by prospective tenants, particularly now that the project is approaching completion and that the attractions of the working environment, design and architectural features are emerging for all to see. We are obviously pleased to receive this feedback and are more than satisfied that the team’s hard work is being recognised in this way.





Shareholders will no doubt note and understand that given the current pandemic induced uncertainty and the fact that the Trident Park development is in the final phases of completion, the board does not believe it is appropriate to recommend the declaration of a dividend at this time. The board believes that Trident Park is an exceptional development, and we look forward to welcoming our first tenants later this year. The board also believes that we are on the road to fulfilling the aspiration of the Trident Group becoming a successful property group – as was contemplated by the Farsons Board of Directors when it embarked on the property division spin off plans back in 2010. Going forward, as regular rental income flows come on stream from the completed development, it would be the intention of the board to make regular and appropriate distributions of dividends to shareholders.



I wish to thank all the team of consultants namely, our UK architects Ian Ritchie Architects supported by our structural engineers TBA Periti, the numerous professional service providers, contractors on civil works, MEP services and finishes works and the many sub-contractors that a project of this size would invariably engage. I conclude by thanking my colleagues in management and Directors of the Board. I thank Charles Xuereb our Chief Executive Officer for his commitment to the Group and on the way he has conducted his responsibilities in facing the challenges that he refers to in his report. I also thank his close collaborators Christopher Ciantar his Chief Operations Officer, and Andrea Mangion our Financial Controller. Paul Micallef, our technical consultant, and the other ex Farsons technical managers whom I have already referred to above have also all made a substantial contribution to the project. The entire team is on the way to delivering a complex development over what has been a challenging time scale and within our forecast capital budget.



I wish to highlight my gratitude to board members for the good counsel I have received from them in the many important decisions that your board has had to take in the past few years.

It has been a busy year and we acknowledge the valuable and important advice we have received from our Legal Advisers, Mamo TCV and auditors PWC.

As can be seen from the above, the board and senior management team have been working hard in their quest to deliver value to shareholders.

Louis A. Farrugia
Chairman

DIRECTORS

Louis A. Farrugia
Chairman



Vincent Curmi
Vice Chairman



Alberto Miceli Farrugia



Prof Avv. Alberto
Stagno d'Alcontres



Charles Borg



Marquis Marcus John
Scicluna Marshall



Michael Farrugia



Roderick Chalmers



Kenneth C. Pullicino
Company Secretary



SENIOR MANAGEMENT AND BOARD COMMITTEES

SENIOR MANAGEMENT

Charles Xuereb
Chief Executive Officer
Dr Ing. Christopher Ciantar
Chief Operations Officer
Andrea Mangion
Financial Controller

RELATED PARTY TRANSACTIONS COMMITTEE

Vincent Curmi
Chairman
Charles Borg
Alberto Miceli Farrugia

AUDIT COMMITTEE

Roderick Chalmers
Chairman
Charles Borg
Vincent Curmi
Alberto Miceli Farrugia

REMUNERATION COMMITTEE

Charles Borg
Chairman
Marquis Marcus John Scicluna Marshall
Prof Avv. Alberto Stagno d'Alcontres

BOARD PERFORMANCE EVALUATION COMMITTEE

Vincent Curmi
Chairman
Charles Borg
Alberto Miceli Farrugia

NOMINATION COMMITTEE

Louis A. Farrugia
Chairman
Marquis Marcus John Scicluna Marshall
Prof Avv. Alberto Stagno d'Alcontres

TRIDENT TEAM

FROM LEFT TO RIGHT
Andrea Mangion, Marco Audino, Lawrence Darmanin, Christopher Ciantar,
Charles Xuereb, Karl Borg, Giselle Bonello Ghio, Paul Micallef, Clint Borg.





CHIEF EXECUTIVE OFFICER'S REVIEW

Since the Company's shares were listed on the Malta Stock Exchange in January 2018, the primary focus of the Group has been on the

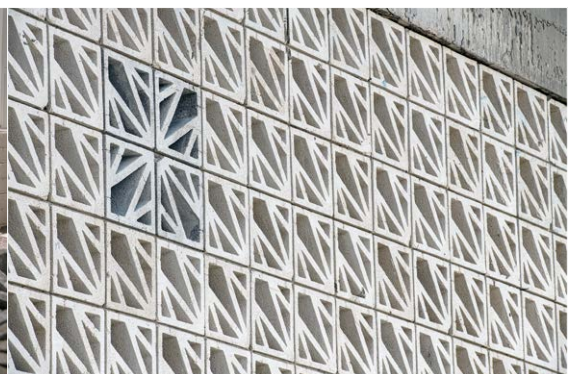
€60 million **Trident Park** **development.**

This last financial year has seen us face up to the twin challenges of managing a large and complex development as well as battling with the significant side effects and complications arising from the Covid-19 pandemic.

Revenues for the Group for the year ended 31 January 2021 (FY 2021) are largely on par with last year at €1.1 million, notwithstanding certain discounts extended to a number of our tenants during the year. These discounts were deemed necessary to mitigate the negative impact on the respective tenants' businesses as a result of the pandemic. In particular, mandatory closures and restrictions imposed by Government to control the virus spread had a marked impact on the hospitality sector in which many of our tenants operate. In terms of the application of the relevant accounting standards, these rental reductions are amortised over the period of the lease and hence their impact is only partly recognised in the current year's financial statements. Had these discounts been accounted for in full, the financial results before tax would have been further impacted by €88,000.

Operating profit for the year amounted to €362,000 (2020: €484,000), with profit before tax totalling €741,000 (2020: €328,000). The FY 2021 results include fair value movements on investment property amounting to €562,000, representing an uplift in property values of 2%. This uplift follows a valuation exercise carried out by an independent firm of architects in the first quarter of 2021. At this stage, Trident Park is being recorded at historical cost, as the development is not as yet complete.

As has been highlighted in previous years, the taxation charge on revenues from 'related parties' remains an unresolved issue. In spite of a number of attempts to address this matter with the authorities, these continue to be disadvantageously treated as these rentals do not benefit from the general 15% tax rule applied to rental incomes.



TRIDENT PARK – PROJECT OVERVIEW AND WORKS IN PROGRESS

The Trident Park project is progressing well, in spite of the significant challenges posed by the size and complexity of the project – and the disruption caused by the onset of the pandemic during the first quarter of FY 2021.

Over the course of the year under review, all civil works at Trident Park were completed by C&F Contractors. The main elements of the campus style development are now in place, with all of the eight office blocks and the five covered walkways handed over to finishing works. Four out of the six gardens have also been constructed and works are proceeding apace on the remaining two. Over the course of the project, in excess of 2000 concrete tests were carried out to ensure that all structural elements are fully compliant with the highest industry standards. The listed colonnade facade will form an integral part of the completed project and is being extensively restored. The colonnade on the North of the development and the walkways on the South will both offer our tenants and their visitors easy access to all levels of the property.

Current efforts are presently focused on the external and finishing works. External works primarily include all underground services, as well as the construction of the perimeter driveway to formation levels. These external works also incorporate the service yard and the amphitheatre abutting the old brewhouse, the entrance into Trident Park from Triq San Gwakkın, the driveway leading to the carpark, as well as all associated landscaping planters.



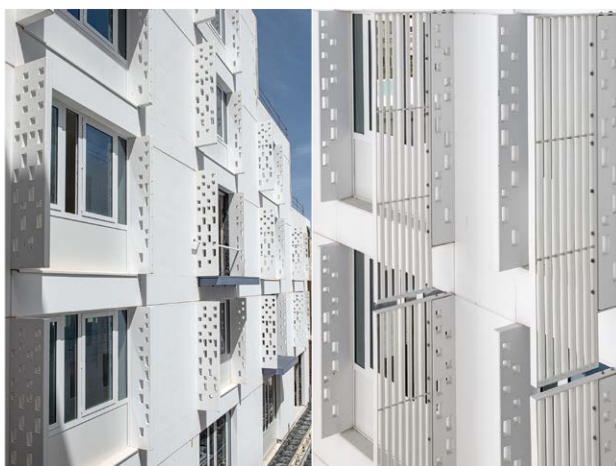
One notable achievement over the year was the completion and installation of the precast panels on all of the office blocks. In total, 1,179 precast panels, weighing an average of four tonnes each, were meticulously cast and installed. Each facade is being finished to high specifications, which will serve to secure BREEAM excellent classification.

In contrast to the shimmering white facades, the project also boasts 23 coloured balconies affixed to the East facades of the blocks abutting the gardens. The colours of these metal balconies correspond to the different colours in the carpark levels and will complement the way-finding strategy. Furthermore, the installation of the 191 solar fins is also at an advanced stage. These solar fins sit proud of the West facades overhanging the gardens, and their purpose is both aesthetic as well as for climate control as they will reduce glare and internal solar gains in the offices.

Other metalworks that will be installed nearer to project completion include the canopy on the topmost walkway, the air vents in the gardens as well as the spiral fire escape on the West side of the development. All metalworks are being manufactured to exacting levels of design and specification that meet the high aesthetic values of the development.

Halmann Vella is engaged in the finishing works, including plastering, painting, aluminium apertures, steel and timber works. Rendering and painting of the structures is at an advanced stage. All but one of the shafts of the blocks are complete with all mechanical and electrical service installations carried out by Panta Contracting Limited. The plantroom of the whole business park is also at an advanced stage of completion with the commissioning phase being actively planned.

Over the past few months, the carpark has been snagged and colour coding is under way.



This structure has 14 sectors of circa 50 spaces each. Traffic entering into the carpark is clockwise whereas exiting cars circulate the carpark counter-clockwise. This ensures that all ramps are unidirectional in order to minimise risks.

External windows and glazing are 70% complete, whereas all joinery for the bathrooms and main doors as well as the railings for the balconies and walkways are being produced off-site awaiting installation. These works are also being carried out through Halmann Vella.



COVID-19 AND THE FUTURE OF OFFICE SPACE

The onslaught of the pandemic has brought with it great dislocation and disruption. For many, Covid-19 has first and foremost represented a very real human tragedy. For many others, plans and expectations – business and personal – have been subjected to huge uncertainty. However, the response to this unexpected and unwelcome threat has been impressive. Governments have stepped forward with unprecedented fiscal and monetary support, businesses and individuals have displayed remarkable agility and resilience, and science has developed high efficacy vaccines in record breaking time. Although the recovery is uneven across different locations and different parts of the world and set-backs will emerge from time to time, there is little doubt that a recovery is underway. What is less certain is what the post-Covid world will look like.



This uncertainty extends to the use of office space; many corporations have been surprised about how well technology and individuals have responded to remote working – and some are planning to adopt a hybrid model going forward, with people not being required to be in the office for all of their employment hours. Two potential factors seem to be emerging – the need for less office space – matched by the need for better office space, both in terms of facilities and environment – and a lesser density per capita. Paradoxically, in certain instances less may mean more. Here we believe that the Trident Park development will be well placed to meet the demands of the emerging paradigm – a “green” environmentally friendly campus office park, providing space, air, natural light and ventilation – with maximum flexibility in terms of individual configuration requirements. There is no doubt that challenges there will be – but we also feel that the quality and nature of the development will better equip us to face these challenges.

The uncertainty that came with Covid meant that many businesses put investment and expansion plans on hold. In Malta these uncertainties were compounded by the widely publicized misfortunes which have resulted in a marked slow-down in terms of new inward investment. In the light of the above, it was clear that we have had to base our marketing strategy around two fundamental aspects: the existing market (local and international) and the quality of our product offering. Accordingly, we have based our marketing campaigns on targeting quality companies and institutions looking for Grade A office space, which offers them and their employees a unique experience of wellbeing, a lifestyle, making them a more attractive employer and strengthening brand presence and overall image.



MARKETING

Towards the last quarter of 2020 we successfully launched our first marketing campaign across a mix of digital, social and print media. High quality 3D renditions were generated to support the ten week campaign, which did see a notable increase in interest and leads from a variety of companies and business sectors. All leads are being followed up with site visits with a stream of promising discussions and ongoing negotiation underway.

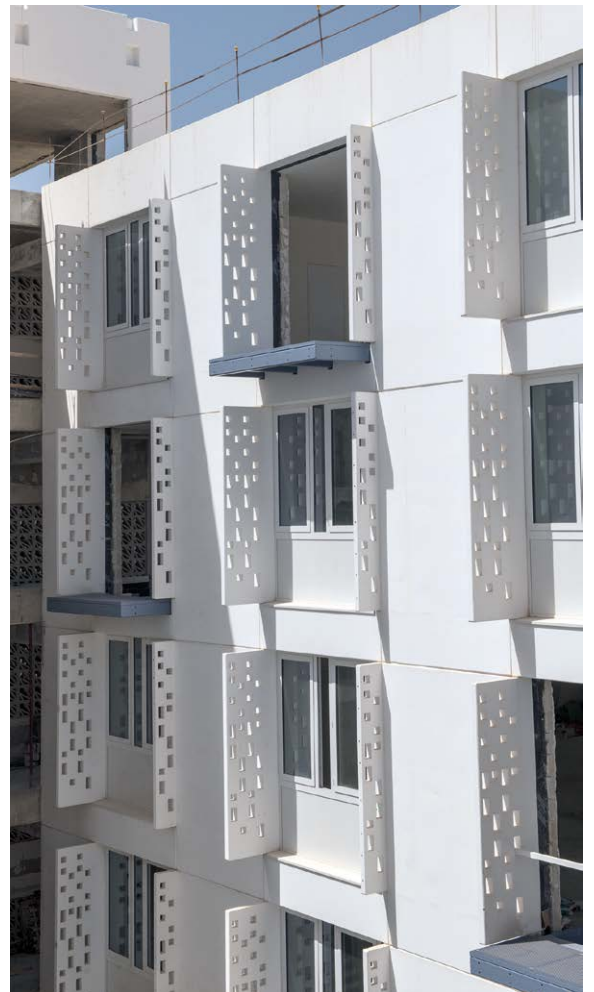
With a range of high-quality tenants secured and signed up and the project already achieving near 50% occupancy level, the development is on its way to attracting a strong mix of companies from the corporate, legal and medical field to fund management, banking and government entities. Much effort is being made in this regard to attract the right kind of tenants who will add value to the overall community and cluster of local and foreign companies. Similarly, much effort has gone into securing the right operators to manage the restaurant, childcare centre and gym facilities, which will complement the food and beverage outlets and amenities available within The Brewhouse.

Following the success of the first campaign, the next marketing drive will have a strong digital presence at its core and will also use prominent traditional media channels for both print and audio-visual production to reinforce the green values and world class attributes of the business campus being created. Detailed plans for this campaign are at an advanced stage and will be deployed over the second and third quarters of calendar 2021 dovetailing with the opening of Trident Park.





“A ‘green’ environmentally friendly campus office park, providing space, air, natural light and ventilation – with maximum flexibility in terms of individual configuration requirements”.





CONCLUSION

Our plans are to complete the project over the coming months, seeking to meet the many challenges that invariably emerge in the final stages of any large development. We will concurrently shift our focus to ensuring that our new tenants can move in and settle down with the minimum disruption possible. We remain confident that the quality and uniqueness of Trident Park will deliver an unparalleled experience.

I would like to thank all my team for their dedication, loyalty and commitment in what has been an extraordinarily demanding year. Without their strong and unwavering support, we would not have been able to overcome the many challenges that have confronted us. I would also like to acknowledge the wise counsel and direction of our Chairman, Louis A. Farrugia, and his fellow Directors on our Board.

Heartfelt words of thanks are also due to the members of the Executive Committee, our legal advisors Mamo TCV, our designers Ian Ritchie Architects and structural engineers TBA Periti, quantity surveyors Sphere, quality assurance and control – Terracore, planner – Perit Anthony Attard, our main contractors, C&F, Panta and Halmann and their respective senior officers and project managers. This has been a significant team effort.



Charles Xuereb
Chief Executive Officer

**ANNUAL
REPORT
2020/
2021**

**CONSOLIDATED
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 JANUARY 2021

A REFRESHING APPROACH FOR SUSTAINABLE DEVELOPMENT

DIRECTORS' REPORT

The Board of Directors is pleased to present their report and the Group's audited consolidated financial statements for the year ended 31 January 2021 (FY 2021).

PRINCIPAL ACTIVITIES

Trident Estates plc (the "Company") and its subsidiaries (the "Group") are property investment companies that own and manage property for rental and investment purposes. The current principal focus of the Group is the development and marketing of the Trident Park project.

REVIEW OF THE BUSINESS

Trading Performance

During the year under review the Group registered profit before taxation of €741,000 (2020: €328,000). The results include net fair value gains on investment property amounting to €562,000 (2020: € nil). Profits after taxation amounted to €550,000 (2020: €74,000). An assessment of the investment property values was carried out by an independent firm of architects. The assessment resulted in a net uplift in the portfolio value of 2%, which was primarily driven by the increase in the market value of the Trident House property in Marsa. At this stage, as the development is still in progress, Trident Park is being recorded at cost.

The Covid-19 pandemic (declared in March 2020) has disrupted most businesses and Trident Estates plc has been no exception. On the rental income front many of our tenants operate in the hospitality sector and their businesses were adversely impacted by the enforced closures and other regulatory restrictions imposed by government in an effort to control the spread of the virus. Tourist arrivals fell precipitously, and this too affected the hospitality sector. Although not contractually obliged to do so, the Board chose to extend discounts and rental abatements to a number of tenants in recognition of the pressures faced by their businesses during these unprecedented times, and in the interest of long-term business relationships and continuity.

Total discounts extended to tenants over the year amounted to €126,000. However, pursuant to the application of the relevant accounting standard, these rental reductions are amortised over the period of the lease and hence their impact is only partly recognised in the current year's financial statements. Had these discounts been accounted for in full in the current year, the financial results before tax would have been further impacted by €88,000.

Shareholder's equity as at the year-end amounted to €53.1 million (2020: €52.5 million). The Group's bank borrowings remained largely unchanged from the previous financial year end, as the Group utilised the remaining proceeds from the November 2019 rights issue to fund works on the Trident Park development. As at year end, the Group had available bank facilities totalling €26.3 million which will be drawn upon over calendar year 2021 to finance the completion of the Trident Park project.

Investments and property interests

Trident Park

The Trident Park development project has progressed significantly over the past year despite all the challenges (especially around disruptions to the availability of labour, materials and equipment) faced as a result of the pandemic. These disruptions necessitated continuous revisions to work plans and schedules, and inevitably caused certain unforeseen delays to originally planned completion dates.

The development is now approaching its final form with the remaining civil works primarily relating to external works. The office buildings, carpark and walkways are now constructed, and the exceptional quality of the building and the striking architectural features can now be seen. Mechanical, electrical and plumbing (MEP) works are progressing well, and with a large portion of the plant and machinery now installed. The Trident Park central plant room is truly impressive with imposing machinery and a network of pipes, vents and electrical cables, all of which will serve the offices and many amenities. The balconies and finishes are adding colour to the structure, and the site is now showing a more finished look, as works on the plastering and painting of the building as well as the installation of the apertures and railings continue to progress at a steady pace. The Board and Management anticipate that the project can be largely completed by Q3 of 2021, by which time Trident Park would begin welcoming its first tenants.

In the meantime, marketing and letting activity has continued and over 40% of the available space has now been taken up by a variety of prestigious tenants across a balanced mix of corporate, legal and medical services, as well as fund management, banking and government sectors - representing both local and foreign entities. The restaurant, childcare centre and gym facilities have also been contracted.

Sardinella and other properties

The Sardinella lease was terminated during the financial year. The Group is currently in discussion with potential tenants to occupy the vacant premises. This is a prime site, and both the Board and Management are confident that the property will be re-let by the end of the current financial year. The balance of the Group's rental portfolio remains fully let.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2022

As noted above, the pandemic has inevitably impacted the Group's activities over the year. However, the high efficacy demonstrated by the vaccines and the impressive roll-out of the inoculation programme gives cause for cautious optimism at a time when the Trident Park project approaches completion.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2022 – CONTINUED

The response from the market has been encouraging, with visitors being appreciative of the quality of the design and the impeccable green credentials of the building. Although a good start has been made to securing tenants for the available space, more work remains to be done in what continues to be a challenging economic environment.

Covid-19 has caused many businesses to put investment plans on hold, and certain sectors are re-evaluating office space requirements in the light of experience gained over the past 12 months with remote working. At the same time, competition has intensified with a number of new developments coming on stream, and older buildings responding with reduced rental offers in an effort to retain tenants.

In spite of these challenges, Management believes that it is close to being on track to reaching target occupancy at anticipated rates by the time of opening, as tenants recognise the value of the high quality and standards being provided at Trident Park.

As the project nears completion, Management expects to draw down on the available bank loan facilities to see the project through to completion. Capital costs for the development remain within budgeted parameters, and projections prepared based on expected tenancy take up, the tenants already contracted and available facilities indicate that the Group has sufficient resources to sustain its operations for the foreseeable future, as well as to complete the project as anticipated and to meet its liabilities as and when they fall due. Accordingly, the Board is satisfied that it is entirely appropriate to draw up these accounts on a going concern basis.

FINANCIAL RISK MANAGEMENT

The Group's and Company's activities expose it to a variety of financial risks, including market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to Note 2 in these financial statements.

PROPERTY VALUE RISK AND EXPOSURE TO GENERAL MARKET CONDITIONS

Property values, including the health of the commercial property rental market, are affected by changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Other factors such as changes in planning and tax laws, and interest and inflation rate fluctuations would also have an impact on capital values and income streams of properties. The Company monitors all these factors, and seeks advice accordingly, as it manages its property portfolio.

DIVIDENDS AND RESERVES

The statements of comprehensive income are set out on page 36.

The Board of Directors (the "Board") did not declare an interim dividend and, in view of the current uncertainty caused by the COVID-19 pandemic (as described above), do not believe that it

would be appropriate or prudent to recommend the declaration of a final dividend particularly at this stage of the Trident Park development to the forthcoming Annual General Meeting.

Retained profits carried forward at the reporting date amounted to €4.8 million (2020: €4.8 million) for the Group and €4.5 million (2020: €4.3 million) for the Company.

DIRECTORS

The Directors who held office during the year were:

Louis A. Farrugia – *Chairman*
Vincent Curmi – *Vice Chairman*
Alberto Miceli Farrugia
Prof Avv. Alberto Stagno d'Alcontres
Charles Borg
Marquis Marcus John Scicluna Marshall
Michael Farrugia
Roderick Chalmers

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Trident Estates plc for the year ended 31 January 2021 are included in the Annual Report 2021, which is published in hard-copy printed form and is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS – CONTINUED

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the parent Company as at 31 January 2021, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the parent Company, together with a description of the principal risks and uncertainties that the Group and the parent Company face.

GOING CONCERN BASIS

After making enquiries, the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the parent Company have adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

SHAREHOLDER REGISTER INFORMATION PURSUANT TO LISTING RULE 5.64

Share capital information of the Company is disclosed in Note 10 of the financial statements on page 52.

The issued share capital consists of one class of ordinary shares with equal voting rights attached and freely transferable.

The list of shareholders holding 5% or more of the equity share capital is disclosed in this Annual Report.

Every shareholder owning twelve (12%) of the ordinary issued share capital of the Company or more shall be entitled to appoint one director for each and every twelve per cent (12%) of the ordinary share capital owned by such shareholder and such shareholder may remove, withdraw or replace such director at any time. Any appointment, removal, withdrawal or replacement of a director to or from the Board shall take effect upon receipt by the Board or the Company secretary of a notice in writing to that effect from the shareholder owning twelve per cent (12%) of the ordinary issued share capital of the Company or more. Any remaining fractions will be disregarded in the appointment of the said directors but may be used in the election of further directors at an Annual General Meeting. The Chairman is appointed by the directors from amongst the directors appointed or elected to the Board.

The rules governing the appointment, election or removal of directors are contained in the Company's Articles of Association, Articles 93 to 101. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers and duties of directors are outlined in Articles 84 to 91 of the Company's Articles of Association. In terms of Article 12 of the said Articles of Association, the Company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

The Company does not have a Collective Agreement regulating redundancies, early retirement, resignation or termination of employment of employees. No employment contracts are in place between the Company and its directors, except as disclosed in the Remuneration report.

It is hereby declared that, as at 31 January 2021, the Company is not party to any significant agreement pursuant to Listing Rules 5.64.10.

Furthermore, the Board declares that the information required under Listing Rules 5.64.5 and 5.64.7 is not applicable to the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



Louis A. Farrugia
Chairman



Vincent Curmi
Vice Chairman

Registered address:

Trident Park
Mdina Road, Zone 2
Central Business District
Birkirkara CBD 2010
Malta

Telephone (+356) 2381 4293

Kenneth C. Pullicino
Company Secretary

12 May 2021

CORPORATE GOVERNANCE STATEMENT

A. INTRODUCTION

This statement is being made by Trident Estates plc ("TE") pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority and sets out the measures taken to ensure compliance with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the said rules. In terms of Listing Rule 5.94, TE is obliged to prepare a report explaining how it has complied with the Code.

TE acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board and TE's management to pursue objectives that are in the interests of the Company and its shareholders.

TE adheres to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The Board has therefore endorsed the Code of principles and adopted it. As demonstrated by the information set out in this statement, together with the information contained in the Remuneration Report, TE believes that it has, save as indicated in the section entitled Non-compliance with the Code, applied the principles in compliance with the provisions of the Code. In the Non-compliance section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of TE, the affairs of the Company are managed and administered by a board composed of eight directors.

The Board is in regular contact with the Chief Executive Officer through the Chairman in order to ensure that the Board is in receipt of timely and appropriate information in relation to the business of TE and management performance. This enables the Board to contribute effectively to the decision making process, whilst at the same time exercising prudent and effective controls. Directors are provided prior to each meeting with the necessary information and explanatory data as may be required by the particular item on the agenda. Comprehensive financial statements are also provided as necessary. The Company uses the services of external legal advisors. The Directors are entitled to seek independent professional advice at any time at the Company's expense where necessary for the proper performance of their duties and responsibilities.

The Board delegates specific responsibilities to a number of committees, notably the Related Party Transactions Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Board Performance Evaluation Committee, each of which operates under formal terms of reference approved by the Board. Further detail in relation to the committees and the responsibilities of the Board is found in Principles 4 and 5 of this statement.

Principle 2:

Chairman and Chief Executive Officer

The statute of TE provides for the Board to appoint from amongst its Directors a Chairman and a Vice-Chairman.

The Chairman is responsible to lead the Board and set its agenda, ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company, ensure effective communication with shareholders and encourage active engagement by all members of the Board for discussion of complex or contentious issues.

The role of the Chief Executive Officer is to ensure effective overall management and control of Group business and proper co-ordination of the activities undertaken by the Group, and is responsible:

1. for the formulation and implementation of policies as approved by the Board;
2. to achieve the objectives of the Group as determined by the Board;
3. to devise and put into effect such plans and to organise, manage, direct and utilise the human resources available and all physical and other assets of the Group so as to achieve the most economically efficient use of all resources and highest possible profitability in the interest of the shareholders and all other stakeholders.

The Chief Executive Officer reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

The Chairman also chairs a weekly Executive Committee Meeting, during which operational issues are discussed.

The above arrangements provide sufficient delegation of powers to achieve effective management. The organisational structure ensures that decision making powers are spread wide enough to allow proper control and reporting systems to be in place and maintained in such a way that no one individual or small group of individuals actually has unfettered powers of decision.

Principle 3: Composition of the Board

Each member of the Board offers core skills and experience that are relevant to the successful operation of the Company. Whilst relevance of skills is key, a balance between skills represented is sought through the work of the Nominations Committee to ensure that there is an appropriate mix of members with diverse backgrounds. This contributes to different viewpoints on key issues in line with the diversity policy implemented throughout the Company. Diversity is recognised as being more than a question of age, gender or educational and professional backgrounds.

The Board is composed of a Chairman, a Non-Executive Vice-Chairman and six other Non-Executive Directors.

B. COMPLIANCE WITH THE CODE – CONTINUED

Principle 3: Composition of the Board – continued

EXECUTIVE DIRECTORS

Louis A. Farrugia – *Chairman*

NON-EXECUTIVE DIRECTORS

Vincent Curmi – *Vice Chairman*

Charles Borg

Roderick Chalmers

Michael Farrugia

Alberto Miceli Farrugia

Marquis Marcus John Scicluna Marshall

Prof Avv. Alberto Stagno d'Alcontres

The Chief Executive Officer attends all board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the Board's policy and strategy, and so that he can provide direct input to the Board's deliberations. The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the functioning of the Board and its direction to the Company.

It is in the interest of each of the three major shareholders (who are the original promoters of the Company) to nominate as directors, knowledgeable, experienced and diligent persons.

Apart from this, informal arrangements, which do not infringe on their rights as shareholders, exist for consultation prior to any changes in the membership of the Board, as well as to assist in the identification of suitable persons who can be nominated for election by the other shareholders at general meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the Board. Family relationships among Directors, the Directors' interest in the share capital of the Company as disclosed in the Shareholder Information and the commonality of Directors with Simonds Farsons Cisk plc with which the Company maintains contractual relationships, represent potential conflicts of interest.

This notwithstanding, all Directors are considered to be independent in that they do not hold any relationship with the Company, a controlling shareholder or their management which creates a conflict of interest such as to impair their judgement.

This has been ensured through the implementation of the following measures:

- i. **Disclosure and Exclusion:** a Director is obliged to disclose any matter that may give rise to a potential or actual conflict. Following this, the respective Director is excluded from any deliberations and voting in respect of such matter.
- ii. **Related Party Transaction Committee:** with regards to any transactions which may be determined to be related party transactions, such transactions are referred to and dealt by the Related Party Transaction Committee (the "Committee"). As with the situation at Board level, any Director who is a related

party with respect to a particular transaction is not permitted to participate in the Committee's deliberation and decision on the transaction concerned. Furthermore, due to the fact that the most common of matters in which a related party transaction may arise would be in relation to a transaction with SFC, the Committee is made up of Directors who are not common directors on the boards of both SFC and the Company.

- iii. **Continuing Conflict:** a Director having a continuing material interest that conflicts with the interests of the Company is obliged to take effective steps to eliminate the grounds for conflict and should this not be possible, said Director is encouraged to consider resigning.
- iv. **Separation of Family Interests:** there are no ties or relationships between management and the Directors

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets regularly every month apart from other occasions as may be needed. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

Meetings held: 12

Members Attended

Mr. Louis A. Farrugia – <i>Chairman</i>	12
Vincent Curmi – <i>Vice Chairman</i>	11
Charles Borg	12
Roderick Chalmers	12
Michael Farrugia	12
Alberto Miceli Farrugia	10
Marquis Marcus John Scicluna Marshall	12
Prof Avv. Alberto Stagno d'Alcontres	10

The Board, in fulfilling its mandate within the terms of the Company's Memorandum and Articles of Association, and discharging its duty of stewardship of the Company and the Group, assumes responsibility for the following:

- reviewing and approving the business plan and targets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the Group are in place;
- assessing the performance of the Group's executive officers, including monitoring the establishment of appropriate systems for succession planning, and for approving the compensation levels of such executive officers; and
- ensuring that the Group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

B. COMPLIANCE WITH THE CODE – CONTINUED

Principles 4 and 5: The Responsibilities of the Board and Board Meetings – continued

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material error, losses or fraud.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls. In fulfilling its responsibilities, the Board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board using key performance indicators. To assist it in fulfilling its obligations, the Board has delegated responsibility to the Chief Executive Officer.

Principle 6: Information and Professional Development

The Chief Executive Officer is appointed by the Board and enjoys the full confidence of the Board. The Chief Executive Officer, although responsible for the recruitment and selection of senior management, consults with the Board on the appointment of, and on a succession plan for, senior management.

Training (both internal and external) of management and employees is a priority, coordinated through the office of the Chief Executive Officer. On joining the Board, a director is provided with briefings by the Chairman and the Chief Executive Officer on the activities of the Company's business areas. Furthermore, all new directors are offered a tailored induction programme. Directors may, where they judge it necessary to discharge their duties as directors, take independent professional advice on any matter at the Company's expense. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to board procedures, as well as good information flows within the Board and its committees. The Chairman ensures that board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on the Board committees.

The Company provides the necessary resources for developing and updating its directors' knowledge and capabilities. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

Principle 7: Evaluation of the Board's Performance

The role of the Board Performance Evaluation Committee chaired by a Non-Executive Director, is to deal with the Board's performance evaluation and identify ways how to improve the Board's effectiveness. The evaluation exercise is conducted annually through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the Committee. The Company Secretary discusses the results with the Chairman of the Committee who then presents the same to the Board together with initiatives undertaken to improve the Board's performance. The latest review has not resulted in any material changes in the Company's internal organisation or in its governance structures. The Non-Executive Directors are responsible for the evaluation of the Chairman of the Board.

Principle 8: Committees

Board Committees

The Board has set up the following subcommittees to assist it in the decision-making process and for the purposes of good corporate governance. The actual composition of these committees is provided in the Annual Report, but as stated earlier, each of the three major shareholders and the public shareholders are represented as far as possible.

The **Audit Committee's** primary objective is to protect the interests of the Company's shareholders and assist the directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Audit Committee is composed of four members – Mr Roderick Chalmers (Chairman), Mr Vincent Curmi, Mr Alberto Miceli Farrugia and Mr Charles Borg – all being Non-Executive Directors. All directors on the Audit Committee are independent and, in the opinion of the Board, are free from any significant business, family or other relationship with the Company, its shareholders or its management that would create a conflict of interest such as to impair their judgement.

Mr Chalmers is a professional, qualified accountant with competence in matters relating to accounting and auditing. The Audit Committee as a whole has extensive experience in matters relating to the Company's area of operations, and therefore has the relevant competence required under Listing Rule 5.118. The Audit Committee oversees the conduct of the external audits and acts to facilitate communication between the Board, Management and the external auditors.

The external auditors are invited to attend specific meetings of the Audit Committee and are also entitled to convene a meeting of the Committee if they consider that it is necessary so to do. The Chairman, the Chief Executive Officer and the Financial Controller are also invited to attend Audit Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit Committee.

During the year ended 31 January 2021, the Audit Committee held four meetings.

B. COMPLIANCE WITH THE CODE – CONTINUED

Principle 8: Committees – continued

Board Committees – continued

The **Related Party Transactions Committee** is presided over by the Non-Executive Vice Chairman and deals with and reports to the Board on all transactions with related parties. In the case of any director who is a related party with respect to a particular transaction, such director does not participate in the Committee's deliberation and decision on the transaction concerned.

Control mechanisms relevant to the reporting of related party transactions are in place to ensure that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

The **Remuneration Committee** is dealt with under the Remuneration Report which also includes the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4.

The **Nomination Committee** chaired by the Chairman is entrusted with leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a Director whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the Board, based on the advice of the Nomination Committee.

Every shareholder owning twelve percent (12%) of the ordinary issued share capital or more, is entitled to appoint and replace a director for each and every twelve (12%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 59), normally each appoint two directors for a total of six, the remaining two directors then being elected by the general public shareholders.

Accordingly, no individual or small group of individuals will be in a position to dominate the Board. The interests of the directors in the shares of the Company are disclosed in this Annual Report.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. The Board is of the view that during the period under review the Company has communicated effectively with the market through a number of Company announcements and press releases.

The Board endeavours to protect and enhance the interests of both the Company and its shareholders, present and future. The Chairman ensures that the views of shareholders are communicated to the Board as a whole.

The Board always ensures that all holders of each class of capital are treated fairly and equally. The Board also acts in the context that its shareholders are constantly changing and consequently, decisions take into account the interests of future shareholders as well.

Shareholders appreciate the significance of participation in the general meetings of the Company and particularly in the election of directors. They hold directors to account for their actions, their stewardship of the Company's assets and the performance of the Company.

The agenda for general meetings of shareholders and the conduct of such meetings is arranged in such a manner to encourage valid discussion and decision-taking.

The Chairman and the Chief Executive Officer also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The Company also communicates with its shareholders through the Company's Annual General Meeting ("AGM") (further detail is provided under the section entitled General Meetings).

The Chairman makes arrangements for the chairmen of the Audit and Remuneration Committees to be available to answer questions, if necessary.

Apart from the AGM, TE communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on an annual basis.

The Company's website (www.tridentestatesplc.com) also contains information about the Company and its business, including an Investor Relations section.

In addition, the Company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its financial statements.

The Company Secretary maintains two-way communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year and are given the opportunity to ask questions at the AGM or submit written questions in advance.

In terms of Article 51 of the Articles of Association of the Company and Article 129 of the Maltese Companies Act, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one tenth (1/10) of the paid-up share capital of the Company. Minority shareholders are allowed to formally present an issue to the Board.

In the event of conflicts arising between minority shareholders and the three major shareholders, who are also the original promoters of the Company, every effort shall be made to seek mediation.

B. COMPLIANCE WITH THE CODE – CONTINUED

Principle 11: Conflicts of Interest

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. The latter may arise on specific matters. In such instances:

- a director is obliged to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of the companies in which such person is a director or officer;
- the said director is excused from the meeting and accordingly is not involved in the Company's board discussion on the matter; and
- the said director does not vote on any such matter.

A director having a continuing material interest that conflicts with the interests of the Company, is obliged to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the director should consider resigning.

On joining the Board and regularly thereafter, the directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Listing Rules.

The directors' interests in the share capital of the Company as at 31 January 2021 and as at 12 May 2021 are disclosed in the Shareholder Information.

Principle 12: Corporate Social Responsibility

The principal objective of the Company's commitment to Corporate Social Responsibility (CSR) is to provide support where possible in aspects that include social, occupational, financial, cultural and historical values.

C. NON-COMPLIANCE WITH THE CODE

Principle 4 (Code Provision 4.2.7):

This Code Provision recommends "the development of a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairman should hold key responsibility". In the context of the appointment of directors being a matter reserved exclusively to TE's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, and on the basis of the Directors' non-executive role, the Company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the Company including that of the Chief Executive Officer.

D. INTERNAL CONTROL AND RISK MANAGEMENT INTERNAL CONTROL

The key features of the Group's system of internal control are as follows:

Organisation:

The Company and subsidiaries have the same directors and the respective Company issues are discussed during Board meetings of the Company.

Control Environment:

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

Risk Identification:

Group management is responsible together with each Company's management, for the identification, evaluation, control and reporting of major risks applicable to their areas of business.

Reporting:

The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management.

On a monthly basis the Board receives a comprehensive analysis of financial and business performance, including reports comparing actual performance with budgets as well as analysis of any variances.

E. GENERAL MEETINGS

The manner in which the general meeting is conducted is outlined in Articles 49 to 52 of the Company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

Save for the exceptional circumstances arising out of the legally sanctioned delays allowed in times of the current pandemic, within seven months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated financial statements, the directors' and auditor's report for the year, to decide on dividends recommended by the Board, to elect the directors and appoint the auditors. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the Board, and an assessment on future prospects is given. The Group's presence on the worldwide web (www.tridentestatesplc.com) contains a corporate information section.

E. GENERAL MEETINGS – CONTINUED

Apart from the above, the Group publishes its financial results every six months, and from time to time issues public notices regarding matters which may be of general interest or of material importance to shareholders and the market in general, or which may concern price sensitive issues.

At the time of the Annual General Meeting, the publication of the six monthly report or significant events affecting the Group, public meetings are held to which institutional investors, financial intermediaries and brokers are invited to attend. Press releases are also issued from time to time on the business activities of the Group.

All shareholders in the Shareholders' Register on the Record Date as defined in the Listing Rules, have the right to attend, participate and vote at general meeting. A shareholder or shareholders holding not less than 5% of the voting issued share capital may request the Company to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least forty-six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

Approved by the Board of Directors on 12 May 2021 and signed on its behalf by:



Louis A. Farrugia
Chairman



Vincent Curmi
Vice Chairman

REMUNERATION REPORT

1. TERMS OF REFERENCE AND MEMBERSHIP

The Remuneration Committee is composed of three independent non-executive Directors. During the financial year ended 31 January 2021 (FY 2021), the Remuneration Committee was composed of Charles Borg (Chairman), Marquis Marcus John Scicluna Marshall and Prof. Avv. Alberto Stagno d'Alcontres. The Committee met once during the year with all members in attendance.

In terms of the Remuneration Policy of the Group, the Remuneration Committee is responsible for reviewing and approving all remuneration packages of Executive Directors. The Remuneration Policy was approved by Shareholders at the 20th Annual General Meeting held on 9 October 2020 with 33,496,250 votes in favour and 3,657 votes against and can be found on the Group's website www.tridentestatesplc.com. Any material amendment to the Remuneration Policy shall be submitted to a vote by the Annual General Meeting before adoption and shall in any event be subject to confirmation at least every four years.

As provided in the Remuneration Policy, the recommendations of the Remuneration Committee are submitted to the main Board for consideration and final approval. Individual Executive Directors recuse themselves from any participation in Board discussions concerning their own remuneration as appropriate. The Remuneration Committee is also responsible for drawing up and proposing to the Company's Board of Directors any amendments thought necessary to the Remuneration Policy for consideration and approval. Any amendments to the Remuneration Policy will require the approval of Shareholders in General Meeting.

2. REMUNERATION STRATEGY AND POLICY

The strategy of the Trident Group is founded on developing and managing quality property assets that create value to tenants and provide a fair return to shareholders so as to ensure long-term investment and profitable growth. It is believed that it is through the implementation and observance of the above principles that the Group will accomplish the vision of growing its business within the local real estate sector.

The Trident Group has a small number of employees and a compact management team. Notwithstanding the limited number of personnel, in order to achieve the above strategic outcomes, it is necessary that the Group attracts, retains and motivates the best available talent at all levels – from the most recently recruited trainee to members of the Board of Directors.

In order to be successful in this quest of attracting, retaining and motivating best in class talent, it is essential that the Group's Remuneration Policy provides market-competitive salaries and related benefits by reference to those provided by other entities operating in the same market sector. There is therefore a clear synthesis in the pay structures of all employees across the Group, whether executive or otherwise, and the Board believes that this approach serves the best long-term interests of all stakeholders.

The above principles apply equally to Remuneration Policy insofar as Directors are concerned. However, there is a need to distinguish between Executive and Non-Executive Directors, and further details are provided below.

3. REMUNERATION POLICY – EXECUTIVE DIRECTORS

Executive Directors are members of the Board who also have an executive role in the day-to-day management of the Company and the Group. For the purposes of this Remuneration Policy and pursuant to Listing Rule 12.2A, the Chief Executive Officer is considered to be an Executive Director of the Company.

Insofar as Executive Directors are concerned, remuneration is made up of the following components:

- (a) **Fixed Pay** – Fixed or Base salary (including statutory bonus) - established by reference to the role, skills and experience of the individual concerned and appropriate market comparatives.
- (b) **Variable Pay** – which is made up of two components as follows:
 - i. **Performance bonus** – a variable component established by reference to the attainment or otherwise of pre-established quantitative targets.
 - ii. **Discretionary bonus** – also a variable component, established by reference to the evaluation of qualitative goals which are reviewed from time to time.

Where applicable, the variable components to the remuneration awarded to Executive Directors are established from year to year and the quantitative and qualitative targets included therein would change from time to time depending on the circumstances of the business. Typically, targets directed towards the long-term interest and sustainability of the Company and the Group would include, but are not limited to, the achievement of set completion dates and cost targets on development projects together with rental take up rates on completion, agreed profit or EBITDA targets, environmental and other ESG goals, and the implementation of specifically defined business initiatives.

There are no pre-set fixed relationships between fixed and variable remuneration – and these would vary between Executive Directors (and indeed senior management). Whereas quantitative awards are usually formulaic in their calculation, discretionary and qualitative awards necessarily involve the application of subjective judgment.

Other provisions that form part of the Directors' Remuneration Policy include the following:

- **Claw Backs** – there are no claw back provisions in place in respect of variable salary awards.
- **Benefits** – which would comprise those benefits normally available to senior executives comprising principally (a) the provision of a suitable (taxed and insured) company car, (b) standard executive health insurance and life assurance cover, (c) mobile phone and allowance (d) other incidental benefits. Executive Directors also receive an expense allowance in reimbursement of certain expenses incurred in the execution of their respective roles and duties.
- **Share Option schemes** – to date it has not been the policy of the Group to introduce any form of share option scheme or other executive share awards.

3. REMUNERATION POLICY – EXECUTIVE DIRECTORS – CONTINUED

The Board believes that the above components of Executive Director remuneration serve to contribute to the realization of the Group's long-term strategy and interest – and also serve to secure alignment between the interests of the Executive Directors and that of the Shareholders.

Members of the Board of Directors appointed under the provisions of Article 96 retire from office at least once every three years but remain eligible for re-appointment. Those members of the Board elected under the provisions of Article 97 shall retire from office at the end of the next Annual General Meeting following their election, and also remain eligible for re-election. The CEO is engaged without a fixed term contract. In terms of current labour regulations, the CEO (and the senior management team) are all regarded as employees on indefinite contracts.

4. REMUNERATION POLICY – NON-EXECUTIVE DIRECTORS

Non-Executive Directors are those members of the Board who do not have a role in the day-to-day executive management of the Company and the Group. Remuneration for Non-Executive Directors is determined by the Board of Directors as a whole and takes into account the skills required and those levels prevailing in the market for entities of a similar size and complexity.

The aggregate remuneration payable to Non-Executive Directors is approved by Shareholders in General Meeting pursuant to Article 81(1) of the Articles of Association of the Company and has two components:

- A fixed or base Director's fee which is established by reference to those levels prevailing in the market for entities of a similar size and complexity.
- Board Committee fee for membership of the various established Board Committees. These Board Committee fees vary between Committees depending upon the relative workloads and time commitment involved, and the skill sets, experience and professional knowledge required for the particular Committee concerned.
- From time-to-time circumstances may arise whereby the Board of Directors (or members thereof) are faced in a particular year with significantly higher and complex workloads than would be the norm. In recognition of such circumstances, Board members may be awarded an additional fixed fee on an exceptional basis. Such additional awards would fall to be within the aggregate approved amount by the general meeting in terms of Article 81(1) of the Articles of Association of the Company.

Non-Executive Directors are not entitled to any contractual pension, termination or retirement benefits. However, they may be reimbursed certain expenses incurred in the discharge of their responsibilities.

5. REMUNERATION – DIRECTORS AND CHIEF EXECUTIVE OFFICER

The following table provides a summary of the remuneration for the year ended 31 January 2021 for each individual Director and for the Chief Executive Officer.

Directors' Emoluments Year ended 31 January 2021		Board + Committee fees €	Fixed pay €	Variable pay €	Benefits + allowances €	Aggregate €
Louis Farrugia	Chairman Executive	40,000				40,000
Charles Xuereb	CEO		149,727	38,333	1,980	190,040
Vincent Curmi	Vice Chairman Non-Executive	27,000				27,000
Charles Borg	Non-executive	21,000				21,000
Roderick Chalmers	Non-executive	25,000				25,000
Michael Farrugia	Non-executive	20,000				20,000
Alberto Miceli Farrugia	Non-executive	22,000				22,000
Marquis Marcus J. Scicluna Marshall	Non-executive	21,000				21,000
Prof. Avv. Alberto Stagno d'Alcontres	Non-executive	21,000				21,000

During the year the CEO voluntarily waived the sum of €6,633 due to him as part of the response to the business challenges arising from the COVID-19 pandemic. The amounts stated above are before deduction of the amounts waived.

Board related emoluments included in the above table requiring Shareholder approval under Article 81 total €197,000 (approved limit: €300,000).

6. SHAREHOLDER INVOLVEMENT

Pursuant to Article 81 of the Memorandum and Articles of Association of the Company, remuneration (emoluments) payable to Directors with regard to their membership of the Board of Directors is always subject to the maximum aggregate limit approved by the Shareholders in General Meeting. This amount was fixed at an aggregate sum of €300,000 per annum at the 18th Annual General Meeting held on 27 June 2018.

Whereas remuneration paid to Executive Directors by virtue of their executive office (as opposed to membership of the Board) is not subject to the maximum aggregate limit stipulated under Article 81 as described above, with effect from FY 2021 and pursuant to the requirements of Listing Rules, the Remuneration Report of the Company shall form part of the Annual Report and shall provide full details of remuneration paid to all Directors. In accordance with Listing Rule 12.26L and 12.26M, the Remuneration Report will be subjected to an advisory vote by the Shareholders at each Annual General Meeting and shall be made available on the Company's website for a period of 10 years following the meeting.

7. SENIOR MANAGEMENT REMUNERATION

For the purposes of this Remuneration Report, "Senior Management" shall mean the Chief Executive Officer, the Chief Operating Officer and the Financial Controller. The Chief Executive Officer is responsible for carrying out regular reviews of the compensation structure pertaining to senior management in the light of the Group's performance, economic situation and market trends. One of the main objectives is to recruit and retain executives of high professional standards and competence who can enhance the Group's performance and assure the best operational and administrative practices.

The Chief Executive Officer reports and makes recommendations periodically to the Board and the Remuneration Committee on the remuneration packages, including bonus arrangements, for achieving pre-determined targets.

The Remuneration Committee is required to evaluate, recommend and report on any proposals made by the Chief Executive Officer relating to senior management remuneration and conditions of service. The Committee considers that the current executive management remuneration packages are based upon the appropriate local market equivalents and are fair and reasonable for the responsibilities involved. The Committee also believes that the remuneration packages are such as to enable the Company to attract, retain and motivate executives having the appropriate skills and qualities to ensure the proper management of the organisation.

The Committee is also charged with considering and determining any recommendations from management on requests for early retirement.

The terms and conditions of employment of senior executives are set out in their respective contracts of employment with the Company. As a general rule such contracts do not contain provisions for termination payments and/or other payments linked to early termination.

Senior management is eligible for an annual performance bonus which is linked to agreed performance targets and their achievement. The Remuneration Committee is of the view that the relationship between fixed and variable remuneration and performance bonus are reasonable and appropriate. There are no claw-back provisions in respect of variable salary awards.

There are no executive profit sharing, share options or pension benefit arrangements in place. Non-cash benefits to which Senior Management are entitled comprise those normally available to senior executives including the provision of a suitable taxed and insured company car, executive health and life assurance cover, a mobile phone package and other incidental corporate benefits.

During the year under review the total emoluments relating to the Group Senior Management members were as follows:

Senior management remuneration Year ended 31 January 2021	Fixed pay €	Variable pay €	Benefits + allowances €	Aggregate €
Senior management remuneration	247,423	51,833	5,560	304,816

The above table includes the remuneration and related benefits awarded to the Group's Senior Management team.

8. CONTENTS OF THE REMUNERATION REPORT

The contents of the Remuneration Report have been reviewed by the external Auditors to ensure that it conforms with the requirements of Appendix 12.1 to Chapter 12 of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRIDENT ESTATES PLC



Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the “financial statements”) give a true and fair view of the Group and the Parent Company’s financial position of Trident Estates plc as at 31 January 2021, and of the Group’s and the Parent Company’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Trident Estates plc’s financial statements, set out on pages 34 to 60, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2021;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 February 2020 to 31 January 2021, are disclosed in Note 16 to the financial statements.

Our audit approach

Overview



- Overall Group materiality: €345,000, which represents 0.5% of Total Assets
- The Group is composed of 5 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the Parent Company as well as the audit of the financial statements of all the subsidiaries of the Company.
- Valuation of investment property for Group and Company.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	€345,000
How we determined it	0.5% of Total Assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the underlying value of real estate companies is most commonly measured by users, and is a generally accepted benchmark. We chose 0.5%, which is within the range of asset-based materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €34,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of Investment property for Group and Company <i>Refer to note 6</i></p> <p>The Group's and Company's investment property portfolio has a carrying amount of €62.6 million and €21.0 million respectively as at 31 January 2021.</p> <p>The valuation of the Group's and Company's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and, where applicable, the expected future rentals for that particular investment property. For investment property being developed, factors taken into account include projected costs to completion, timing thereof and expected rental income.</p> <p><i>The third party valuers engaged by management have included a valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a valuation uncertainty in relation to the valuation of investment properties.</i></p>	<p>We evaluated the competence of the external valuers, which included due consideration of their qualifications and expertise.</p> <p>We discussed with the external valuers the valuation approach adopted, the key valuation assumptions and other judgements made in arriving at their conclusions with respect to the property valuations.</p> <p>We engaged our own in-house experts to review the valuation approach adopted and underlying assumptions applied in the property valuations in order to assess the reasonableness of the fair value assigned to the properties.</p> <p>We reviewed the key parameters provided by the Group/Company to the external valuers including reconciling this data to underlying current lease agreements.</p> <p>For investment property under development we analysed costs incurred to date with related supporting documentation and assessed that the carrying value as at year end is supported by the projected cash flows to the completion of the said development.</p>

Key audit matter	How our audit addressed the Key audit matter
<p>As disclosed in note 6 to the financial statements, the external valuations have been performed using the discounted cashflow approach.</p> <p>The board of directors considered the valuation report as part of its overall responsibilities.</p> <p>The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.</p>	<p>We discussed the valuations with Group management and the external valuers and concluded, based on our work, that the Group's and Company's property valuations were within an acceptable range of values.</p> <p>In addition, we evaluated the adequacy of the disclosures in Note 6 to the financial statements, including those regarding the key valuation assumptions applied in the property valuations. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the statement of financial position and disclosures made in the financial statements was appropriate. <i>This note also explains that there is valuation uncertainty in relation to the valuation of investment properties included in the statement of financial position as at 31 January 2021.</i></p>

How we tailored our Group audit scope

The Group is composed of five reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the Report on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the group's and the company's business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The *Annual Report and Consolidated Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the Other information section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the Annual Report and Consolidated Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 16 to 18) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
<p>Corporate governance statement (on pages 19 to 24) The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p>	<p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.</p>	<p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
<p>Remuneration report (on pages 25 to 27) The Listing Rules issued by the Malta Listing Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing Rules.</p>	<p>We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Listing Rules, has been included.</p>	<p>In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p>

Area of the Annual Report and Consolidated Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.• the financial statements are not in agreement with the accounting records and returns.• we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. <p>We also have responsibilities under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 25 October 2000. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 20 years. The Company became listed on a regulated market on 30 January 2018.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi CBD 5090
Malta



David Valenzia
Partner

12 May 2021

STATEMENTS OF FINANCIAL POSITION

		As at 31 January			
		Group		Company	
		2021	2020	2021	2020
Notes		€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	51	68	51	68
Right-of-use assets	5	3,676	3,751	650	664
Investment property:					
– held under development	6	38,955	22,714	–	–
– held as commercial property	6	12,394	12,387	9,736	9,696
– held for future development	6	11,251	10,695	11,251	10,695
Investment in subsidiaries	7	–	–	520	520
Deferred tax asset	12	120	–	–	–
Total non-current assets		66,447	49,615	22,208	21,643
Current assets					
Trade and other receivables	8	674	433	31,391	19,830
Advance payment	7	–	–	951	951
Cash and cash equivalents	9	1,723	13,892	1,290	12,582
Total current assets		2,397	14,325	33,632	33,363
Total assets		68,844	63,940	55,840	55,006

	Notes	As at 31 January			
		Group		Company	
		2021	2020	2021	2020
		€'000	€'000	€'000	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	42,000	42,000	42,000	42,000
Share premium	10	2,833	2,833	2,833	2,833
Fair value gains reserve	11	3,442	2,936	1,472	935
Retained earnings		4,811	4,767	4,476	4,323
Total equity		53,086	52,536	50,781	50,091
Non-current liabilities					
Borrowings	14	2,207	2,207	-	-
Lease liabilities	5	3,751	3,769	687	682
Deferred tax liabilities	12	2,365	2,308	2,098	2,039
Other payables	13	166	216	-	-
Total non-current liabilities		8,489	8,500	2,785	2,721
Current liabilities					
Trade and other payables	13	7,133	2,733	2,204	2,106
Lease liabilities	5	17	19	-	3
Current tax liabilities		119	152	70	85
Total current liabilities		7,269	2,904	2,274	2,194
Total liabilities		15,758	11,404	5,059	4,915
Total equity and liabilities		68,844	63,940	55,840	55,006

The Notes on pages 40 to 60 are an integral part of these consolidated financial statements.

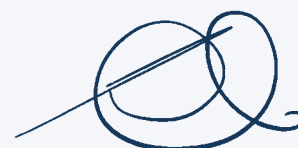
The financial statements on pages 34 to 60 were authorised for issue by the Board on 12 May 2021 and were signed on its behalf by:



Louis A. Farrugia
Chairman



Vincent Curmi
Vice Chairman



Charles Xuereb
Chief Executive Officer

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 January			
		Group		Company	
		2021	2020	2021	2020
		€'000	€'000	€'000	€'000
Revenue	15	1,143	1,152	760	755
Operating and administrative expenses	16	(792)	(668)	(377)	(573)
Other income		11	-	-	-
Operating profit		362	484	383	182
Fair value gains on investment property	6	562	-	596	-
Finance costs	19	(183)	(183)	(34)	(34)
Finance income		-	27	-	-
Profit before tax		741	328	945	148
Tax expense	20	(191)	(254)	(255)	(191)
Profit/(loss) for the year		550	74	690	(43)
Basic and diluted earnings per share for the year attributable to shareholders	22	€0.013	€0.002		

The Notes on pages 40 to 60 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

		Share capital	Share premium	Fair value gains reserve	Retained earnings	Total equity
	Notes	€'000	€'000	€'000	€'000	€'000
Balance at 31 January 2019		30,000	-	2,936	4,893	37,829
Comprehensive income						
Profit for the year		-	-	-	74	74
Total comprehensive income		-	-	-	74	74
Transaction with owners in their capacity as owners:						
Contributions of equity through rights issue, net of transaction costs	10	12,000	2,833	-	-	14,833
Dividends paid	24	-	-	-	(200)	(200)
		12,000	2,833	-	(200)	14,633
Balance at 31 January 2020		42,000	2,833	2,936	4,767	52,536
Balance at 1 February 2020		42,000	2,833	2,936	4,767	52,536
Comprehensive income						
Profit for the year		-	-	-	550	550
<i>Other comprehensive income:</i>						
Transfer of fair value movements on investment property, net of deferred tax		-	-	506	(506)	-
Total comprehensive income		-	-	506	44	550
Balance at 1 January 2021		42,000	2,833	3,442	4,811	53,086

COMPANY

		Share Capital	Share premium	Fair value gains reserve	Retained earnings	Total equity
	Notes	€'000	€'000	€'000	€'000	€'000
Balance at 31 January 2019		30,000	-	935	4,566	35,501
Comprehensive income						
Loss for the year		-	-	-	(43)	(43)
Transaction with owners in their capacity as owners:						
Contributions of equity through rights issue, net of transaction costs	10	12,000	2,833	-	-	14,833
Dividends paid	24	-	-	-	(200)	(200)
		12,000	2,833	-	(200)	14,633
Balance at 31 January 2020		42,000	2,833	935	4,323	50,091
Balance at 1 February 2020		42,000	2,833	935	4,323	50,091
Comprehensive income						
Profit for the year		-	-	-	690	690
<i>Other comprehensive income:</i>						
Transfer of fair value movements on investment property, net of deferred tax		-	-	537	(537)	-
Total comprehensive income		-	-	537	153	690
Balance at 31 January 2021		42,000	2,833	1,472	4,476	50,781

The Notes on pages 40 to 60 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2021	2020	2021	2020
Notes		€'000	€'000	€'000	€'000
Cash flows from operating activities					
Cash generated from operations	21	261	644	155	453
Interest received		-	27	-	-
Interest paid		(183)	(177)	(32)	(28)
Net income tax paid		(287)	(224)	(210)	(168)
Net cash (used in)/generated from operating		(209)	270	(87)	257
Cash flows from investing activities					
Purchase of property, plant and equipment		(2)	(58)	(2)	(58)
Purchase of investment property including advanced payments		(11,938)	(6,962)	-	-
Increase in advances to subsidiary		-	-	(11,203)	(2,093)
Net cash used in investing activities		(11,940)	(7,020)	(11,205)	(2,151)
Cash flows from financing activities					
Increase in equity through rights issue	10	-	15,000	-	15,000
Transaction costs on rights issue	10	-	(167)	-	(167)
Dividends paid		-	(192)	-	(192)
Drawdown of bank loan		-	2,207	-	-
Principal payment of lease liability		(20)	(44)	-	-
Net cash (used in)/generated from financing activities		(20)	16,804	-	14,641
Net movement in cash and cash equivalents		(12,169)	10,054	(11,292)	12,747
Cash and cash equivalents at beginning of year		13,892	3,838	12,582	(165)
Cash and cash equivalents at end of year		1,723	13,892	1,290	12,582

The Notes on pages 40 to 60 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements include the financial statements of Trident Estates plc and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of investment property and except as disclosed in the accounting policies below. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 - Critical accounting estimates and judgements).

As at year end the Group has a net current liability position of €4,872,000. Notwithstanding this, as at year end the Group has unutilised long-term loan facilities of €26.3mio which it intends to drawdown over the next months to finance the completion of the Trident Park project. Consequently, the directors have concluded that at the time of approving these financials statements the group's business is considered to be a going concern and the group is able to finance its operations and capital project commitments in the coming year.

Standards, interpretations and amendments to published standards effective in 2021

In 2020, the Group and the company adopted amendments and interpretations to existing standards that are mandatory to the company's accounting period beginning on 1 February 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the company's accounting policies beginning after 1 February 2020. The Group and the Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group and the Company's directors are of the opinion that there are no requirements that will have possible significant impact on the Group and the Company's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 1.6).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the subsidiaries is set out in Note 27 to the financial statements.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment loss. See Note 1.6 for the impairment of non-financial assets including goodwill.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1.2 Consolidation – continued

(b) Associates – continued

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.4 Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost and is subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- | | |
|----------------------|-----|
| • Motor vehicles | 20% |
| • Computer equipment | 25% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group, is classified as investment property. Investment property comprises freehold and leasehold property.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended annually. After initial recognition, investment property is carried at fair value representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1.5 Investment property – continued

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Financial instruments

Classification

The Group and Company classifies their financial assets as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group and Company classifies their financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statements of comprehensive income.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1.7 Financial instruments – continued

Impairment – continued

Expected credit loss model – continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1.8 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance (Note 1.7).

Details about the Group's impairment policies and the calculation of loss allowance are provided in Note 1.7.

1.9 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statements of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method the Group is required to make a provision for deferred taxes on the fair valuation of certain non-current assets. Such deferred tax is charged or credited directly to profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at face value. In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statements of financial position.

1.11 Share capital and share premium

Ordinary shares are classified as equity. Amounts received in excess of par value are credited to share premium. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.12 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

1.14 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts. Revenue is recognised as follows:

(a) Property related income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(b) Finance income

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income.

1.18 Leases

The Group and Company is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with accounting policy (note 1.5). These assets are fair valued annually on a basis consistent with similarly owned investment property. Rental income from operating leases recognised in profit or loss on a straight-line basis over the lease term. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of the new leasing standard.

The Group and Company is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The group's leasing activity and how this is accounted for:

The group and the Company have existing leases in relation to ground rent. These contracts are long term in nature and do not impose any covenants.

From 1 February 2019, leases were recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets were available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liability includes the net present value of the following lease payments:

- fixed payments;
- variable lease payments that are based on an index or a rate.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group and the Company:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for, leases held by the company, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1.18 Leases – continued

The Group and Company is a lessee – continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group and Company are typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group and Company are typically reasonably certain to extend (or not terminate);
- Otherwise, the Group and Company consider other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.19 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest-bearing borrowings.

1.20 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the end of the period. Where the company increases its share capital through a rights issue, comparative EPS is restated to reflect the situation as if the discount embedded within the rights issue had been in place at the beginning of the comparative period.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's Board provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's income and operating cashflows are substantially independent of changes in market international rates. The Group's interest rate risk arises from borrowings. The Group has bank borrowings issued at fixed rates for the short and medium term (Note 14). These bank loans do not expose the Group to cash flow interest rate risk.

(b) Credit risk

The Group and Company measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss.

The Group's and Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Group and Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Financial assets measured at amortised cost				
Trade and other receivables (Note 8)	172	8	31,334	19,801
Cash and cash equivalents (Note 9)	1,723	13,892	1,290	12,582
	1,895	13,900	32,624	32,383

2. FINANCIAL RISK MANAGEMENT – CONTINUED

2.1 Financial risk factors – continued

(b) Credit risk – continued

To measure the expected credit losses, trade receivables, other receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due.

The Company monitors the performance of its receivables on a regular basis to identify expected collection losses, which are inherent in the Group's receivables, taking into account historical experience.

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group holds collateral in the form of cash deposits and other guarantees received from tenants totalling to €166,000 (2020: €216,000) as security for rents and leases due.

The Group's and the Company's operations are principally carried out in Malta and their revenues originate from clients based in Malta. The Group and Company assess the credit quality of its customers taking into account financial position, past experience and other factors. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The Group presently has a small number of clients as tenants, these mainly relate to companies within the Farsons Group. The Group assessed the respective credit risk and concluded that despite this concentration, these tenants are able to honor their contractual commitments. Loss allowance of €26,000 (2020: €Nil) was present as at year end in respect of trade debtors that were not expected to be recovered.

The Company's receivables comprise amounts due from subsidiaries which are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for instruments which have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations

in the near term. This assessment takes into consideration the financial position, performance and other factors of the counterparty. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group and Company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

At 31 January 2021 and 31 January 2020, cash is held with reputable European financial institutions. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

(c) Liquidity risk

The Group and Company are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally lease liabilities trade and other payables, amounts owed to related parties and subsidiaries respectively (refer to Notes 5 and 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's and Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate financing facilities are in place for the coming year. The Group ensures that it has enough cash on demand, within pre-established benchmarks, to meet expected operational expenses and servicing of financial obligations over specific short-term periods, excluding the potential impact of extreme circumstances that cannot reasonably be predicted. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed borrowing facilities and other financing that it can access to meet liquidity needs.

The following table analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

2. FINANCIAL RISK MANAGEMENT - CONTINUED

2.1 Financial risk factors – continued

(c) Liquidity risk – continued

Group	Carrying amount	Contractual cash flows	Within one year	Between one to five years	More than five years
	€'000	€'000	€'000	€'000	€'000
31 January 2021					
Lease liabilities	3,768	11,793	198	796	10,799
Trade and other payables	7,299	7,299	7,133	-	166
Borrowings	2,207	2,444	65	2,379	-
	13,274	21,536	7,396	3,175	10,965

31 January 2020					
Lease liabilities	3,788	11,991	198	793	11,000
Trade and other payables	2,949	2,949	2,733	-	216
Borrowings	2,207	2,444	65	2,379	-
	8,944	17,384	2,996	3,172	11,216

Company	Carrying amount	Contractual cash flows	Within one year	Between one to five years	More than five years
	€'000	€'000	€'000	€'000	€'000
31 January 2021					
Lease liabilities	687	2,217	34	138	2,045
Trade and other payables	2,204	2,204	2,204	-	-
	2,891	4,421	2,238	138	2,045

31 January 2020					
Lease liabilities	685	2,251	34	135	2,082
Trade and other payables	2,106	2,106	2,106	-	-
	2,791	4,357	2,140	135	2,082

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitored the level of capital on the basis of the ratio of aggregated net debt to total capital. Total debt is calculated as total borrowings (as shown in the statement of financial position) plus lease liabilities. Total capital is calculated as equity, as shown in the statement of financial position, plus total debt. The aggregated figures in respect of the group's equity and borrowings are reflected below:

	Group	
	2021	2020
	€'000	€'000
Total borrowings (Note 14)	2,207	2,207
Lease liabilities (Note 5)	3,768	3,788
Total debt	5,975	5,995
Total equity	53,086	52,536
Total capital	59,061	58,531
Gearing	10.1%	10.2%

2. FINANCIAL RISK MANAGEMENT – CONTINUED

2.2 Capital risk management – continued

The group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above from period to period, with a view to managing the cost of capital. The level of capital of the group, as reflected in the statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period is deemed adequate by management.

2.3 Fair values of instruments not carried at fair value

At 31 January 2021 and 2020, the carrying amounts of cash at bank, trade and other receivables and trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

5. LEASES

The Group and the Company have various lease agreements for ground rent which are all long-term in nature. The weighted average lessee's incremental borrowing rate applied to the lease liabilities is 5%.

i.) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Right-of-use-assets				
Land	3,676	3,751	650	664
Lease Liabilities				
Current	17	19	-	3
Non-current	3,751	3,769	687	682
Total	3,768	3,788	687	685

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in Note 6, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. PROPERTY, PLANT AND EQUIPMENT

	Group and Company	
	2021	2020
	€'000	€'000
Year ended 31 January		
Opening net book amount	68	21
Additions	2	58
Depreciation	(19)	(11)
Closing net book amount	51	68
At 31 January		
Cost or valuation	107	105
Accumulated depreciation and impairment	(56)	(37)
Closing carrying amount	51	68

Depreciation charge for the financial year is included in operating and administrative expenses.

5. LEASES – CONTINUED

ii.) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Amortisation of right-of-use-assets	75	75	14	15
Interest expense	183	183	34	34

The total cash outflow of the Group and company for leases in 2021 is €221,219 (2020: €196,000) and €32,374 (2020: €31,000), respectively.

6. INVESTMENT PROPERTY

Group	2021	2020
	€'000	€'000
Year ended 31 January		
Opening net book amount	45,796	38,296
Additions	16,242	7,500
Fair value gains	562	-
Closing net book value	62,600	45,796
At 31 January		
Cost	45,404	29,162
Fair value gains	17,196	16,634
Net book amount	62,600	45,796

Additions for both 2021 and 2020 relate to the respective assets in the course of construction.

Net fair value movements noted above comprise the following:

Group	2021	2020
	€'000	€'000
Fair value gains		
Held for future development	556	-
Current use as commercial premises	200	-
Fair value losses		
Current use as commercial premises	(194)	-
Net fair value movement for the year	562	-

Company	2021	2020
	€'000	€'000
Year ended 31 January		
Opening carrying amount	20,391	20,391
Fair value gains	596	-
Closing net book value	20,987	20,391
At 31 January		
Cost	5,421	5,421
Fair value gains	15,566	14,970
Net book amount	20,987	20,391

Fair value of property

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

In common with other jurisdictions and as a result of the COVID-19 pandemic, Malta is currently experiencing an uncertain and unpredictable real estate market. This has led to valuation uncertainty which is not measurable, because some inputs and metrics available for the valuation are likely to relate to the market before COVID-19 occurred and the impact of the event on prices will not be known until the market has stabilised. The Board has opted to adopt property valuations which it deems prudent in value and omitted any gains which were deemed excessive.

6. INVESTMENT PROPERTY – CONTINUED

Fair value of property – continued

On 31 January 2021, the Directors approved the valuations of the Group's and Company's investment property after assessing the valuations made during 2021 by a duly appointed independent chartered architectural firm. These valuations were determined on the basis of open market values after considering the intrinsic value of the property and net potential returns. In 2021, these valuations resulted in a net increase in the value of property classified under investment property amounting to €562,463 (2020: nil) in the case of the Group and €596,500 in the Company (2020: nil).

All the recurring property fair value measurements at 31 January 2021 use significant unobservable inputs and are accordingly categorised within level 3 of the fair valuation hierarchy. The Group's policy is to recognise transfers in and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 January 2021.

A reconciliation from the opening balance to the closing balance of investment property for recurring fair value measurements categorised within level 3 of the fair value hierarchy, is reflected in the table above.

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and

- assumptions and valuation models used by the valuers - the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Executive Officer. This includes a review of fair value movements over the period. When the Chief Executive Officer considers that the valuation report is appropriate, the valuation report is recommended to the Board. The Board considers the valuation report as part of its overall responsibilities.

Valuation techniques

The external valuations of the level 3 property have been performed using the discounted cash flow approach. Each property was valued using the method considered by the external valuers to be the most appropriate valuation method for that type of property; the method, together with the fair value measurements, was approved by the Board as described above.

In the case of the discounted cashflow approach the significant unobservable inputs include a rental rate per square meter (also in respect of comparable properties as described in the case of the sales comparison approach) and a capitalisation rate (applied at 5.2% - 6.5%).

In the case of the façade property, the discounted projected cash flows approach was applied taking into consideration the development plan and projected time frames. The significant unobservable inputs include annualised net cash inflows per square meter (driven by premium market rentable rates), an expected occupancy rate, a capitalisation rate (applied at 5.9%), and development costs (based on high quality finishes).

Information about fair value measurements using significant unobservable inputs (level 3)

Group

Description by class	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2021				
Property under development	38,955	Discounted cash flow approach	Rental rate per square meter	70 – 257
Current use as commercial premises	12,394	Discounted cash flow approach	Rental rate per square meter	53 – 434
Held for future development	11,251	Discounted cash flow approach	Rental rate per square meter	105 – 130
As at 31 January 2020				
Property under development	22,714	Discounted cash flow approach	Rental rate per square meter	60 – 280
Current use as commercial premises	12,387	Discounted cash flow approach	Rental rate per square meter	102 – 357
Held for future development	10,695	Discounted cash flow approach	Rental rate per square meter	105 – 130

In respect of the discounted cash flow approach, the higher the annualized net cash inflows, and growth rate, the higher the fair value. Conversely, the lower the discount rate, the estimated development costs, and capitalisation rate used in calculating the annualized net cash inflows, the higher the fair value.

6. INVESTMENT PROPERTY – CONTINUED

Information about fair value measurements using significant unobservable inputs (level 3) – continued

The following amounts have been recognised in the statements of comprehensive income:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Rental income	1,143	1,152	760	755
Direct operating expenses arising from investment rental of investment property	(75)	(75)	(15)	(15)

Direct operating expenses above relate to the amortisation of the right-of-use asset. In addition to the above, the Group and Company have incurred interest costs on the lease liabilities of €183,000 (2020: €183,000) and €34,097 (2020: €34,097) respectively classified under finance costs as disclosed in Note 5.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2021	2020
	€'000	€'000
Year ended 31 January		
Opening and closing net book amount	520	520
At 31 January		
Cost and carrying amount	520	520

During the financial year ended 31 January 2018, the Company entered into a promise of sale agreement to acquire the remaining 50% shareholding in Sliema Fort Company Limited from Food Chain Limited (a related party). This agreement is subject to approval by the Lands Authority as landlord of the leasehold property owned by this associate. In terms of the share acquisition agreement, the management and control of this associate is effectively held by the Company and accordingly this investment is being treated as an investment in subsidiary in the books of the Company and consolidated on a line by line basis in the Group accounts. The Company has made an advance payment amounting to €951,000 with respect to this acquisition. This amount is disclosed as an advanced payment under current assets in the statement of financial position.

The principal subsidiaries at 31 January 2021, all of which are unlisted, are disclosed in note 27 to these financial statements.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Current				
Trade receivables	15	-	2	2
Amounts due from subsidiary	-	-	31,002	19,799
Amounts due from related parties	5	8	5	-
Indirect taxation	279	111	14	1
Advance payments to suppliers	176	277	-	-
Prepayments and accrued income	199	37	368	28
	674	433	31,391	19,830

8. TRADE AND OTHER RECEIVABLES – CONTINUED

Amounts due from subsidiary and related parties are unsecured, interest free and are repayable on demand. As of 31 January 2021 and 2020 amounts owed by subsidiaries and related parties were fully performing and hence do not contain impaired assets. The Group's exposure to credit risk relating to trade and other receivables is disclosed in Note 2.

Trade receivables are stated net of provision for impairment of receivables.

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Provision on Trade receivables	26	-	26	-

9. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, the cash and cash equivalents at the end of the reporting period comprise the following:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Cash at bank and in hand	1,723	13,892	1,290	12,582

The Group and the Company assessed the impairment for all classes of assets under IFRS 9 and the identified expected loss on cash and cash equivalents to be provided for was not deemed material and thus it was not reflected in the Group's and Company's financial statements.

10. SHARE CAPITAL AND SHARE PREMIUM

	Company	
	2021	2020
	€'000	€'000
Authorised:		
50,000,000 ordinary shares of €1 each	50,000	50,000
Issued and fully paid:		
42,000,003 ordinary shares of €1 each	42,000	42,000
Share premium	2,833	2,833

On 12 November 2019, the Company invited its shareholders to subscribe to a rights issue of 12,000,003 at an issue price of €1.25 per share on the basis of 2 shares for every 5 shares held.

As stated in the prospectus, the main intention was to obtain additional funds to primarily finance the Trident Park project. The issue was fully subscribed. The difference between the issue price of €1.25 per share and the nominal value of each share was accounted for in the Share Premium account. The related transaction costs amounting to €166,960 have been netted off against the share premium account.

11. FAIR VALUE GAINS RESERVE

	Group	
	2021	2020
	€'000	€'000
Non-current assets		
At beginning of year, net of deferred tax	2,936	2,936
Fair value movements on investment property, net of deferred tax	506	-
At 31 January	3,442	2,936

	Company	
	2021	2020
	€'000	€'000
Non-current assets		
At beginning of the year, net of deferred tax	935	935
Fair value movements on investment property, net of deferred tax	537	-
At 31 January	1,472	935

The fair value gains reserve was created on the fair valuation of the Group's and Company's investment property and property classified as held for sale. Related deferred tax was debited to this reserve.

This reserve is a non-distributable reserve.

12. DEFERRED TAXATION

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2020: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, a tax effect of 10% (2020: 10%) of the transfer value.

The movement in the deferred tax account is as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
At the beginning of the year	2,308	2,308	2,039	2,039
(Released)/charged to profit or loss (Note 20)	(63)	-	59	-
At end of year	2,245	2,308	2,098	2,039

The balance at 31 January represents temporary differences on:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Fair value of investment property	2,365	2,308	2,098	2,039
Unutilised tax losses	(120)	-	-	-
	2,245	2,308	2,098	2,039

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Non-current				
Other payables	166	216	-	-
Current				
Trade payables	1,920	929	60	12
Amounts owed to related parties	6	29	6	23
Amounts owed to subsidiaries	-	-	1,865	1,856
Indirect taxes and social security	10	10	-	-
Other payables	35	-	-	-
Accruals and deferred income	5,162	1,765	273	215
	7,133	2,733	2,204	2,106
Total trade and other payables	7,299	2,949	2,204	2,106

Amounts owed to subsidiaries and related parties are unsecured, interest free and are repayable on demand. Other payables amounting to €166,000 (2020: €216,000) represent security deposits paid by tenants which will be refunded upon termination of lease agreement.

The Group accruals include €4,853,000 (2020: €1,500,000) development costs accrued for in relation to the Trident Park project.

The Group and Company's exposure to liquidity risk relating to trade and other payables is disclosed in Note 2.

14. BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Non-current				
Bank loan	2,207	2,207	-	-

The Group secured long-term borrowings from a third party bank during the prior year to finance the Trident Park project. The balance of the loan as at 31 January 2021 is €2,207,252 (2020: €2,207,252).

The Group's banking facilities as at 31 January 2021 amounted to €28,500,000 (2020: €28,500,000). As at year end, the Group has an unutilised banking facility in relation to the Trident Park project amounting to €26,292,748 (2020: €26,292,748).

The company's borrowings are secured by a general hypothec over the company's assets and a special hypothec over its property, as well as a pledge over insurance policies.

The interest rate exposure of the borrowings of the Group was as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
At fixed rate	2,207	2,207	-	-

The effective interest rate as at the end of the reporting period on the Group's bank loan was 2.95% (2020: 2.95%).

15. REVENUE

All the Group's revenue, which arises solely in Malta, is derived from rents receivable on properties rented out.

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Rental income	1,143	1,152	760	755

16. EXPENSES BY NATURE

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Depreciation of property, plant and equipment (Note 4)	19	11	19	11
Amortisation charge of right-of-use assets	75	75	14	15
Directors remuneration	197	197	197	197
Employee benefit expense (Note 17)	214	153	205	153
Other expenses	287	232	211	197
Gross operating and administrative expenses	792	668	646	573
Management fee	-	-	(269)	-
Net operating and administrative expenses	792	668	377	573

Included in the above analysis are expenses amounting to €42,000 (2020: €77,000) recharged from a related party in respect of payroll and other expenses.

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2021 and 2020 relate to the following:

	Group	
	2021	2020
	€'000	€'000
Annual statutory audit	38	37
Tax advisory and compliance services	8	13
Other assurance services	5	12
	51	62

Classified under:

Statement of comprehensive income – Operating and administrative expenses	51	50
Equity – transaction costs netted off from share premium	-	12

17. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Wages and salaries	400	233	400	233
Social security costs	6	5	6	5
	406	238	406	238
Recharged from related parties	90	249	-	35
Recharged to subsidiaries	-	-	(201)	(120)
	496	487	205	153
Classified under:				
Statement of comprehensive income – Operating and administrative expenses	214	153	205	153
Statement of financial position – Investment property	282	334	-	-
	496	487	205	153

The average number of full time employees employed/recharged during the year.

	Group		Company	
	2021	2020	2021	2020
	Administration	9	7	7

18. DIRECTORS' REMUNERATION

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Amounts paid				
Fees	197	197	197	197

19. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Interest charge on lease liability	183	183	34	34

Finance costs of €53,000 (2020: €51,000) were capitalised as part of Investment Property (Note 6).

20. TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Current tax expense	254	254	196	191
Deferred tax (income)/expense (Note 12)	(63)	-	59	-
	191	254	255	191

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Profit before tax	741	328	945	148
Tax on profit at 35%	259	115	331	52
Tax effect of:				
Expenses not allowable for tax purposes	165	242	142	208
Maintenance allowance on rental income	(57)	(56)	(44)	(43)
Income taxed at reduced rates	(36)	(47)	(25)	(26)
Tax rules applicable to property values	(140)	-	(149)	-
Tax expense	191	254	255	191

21. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Operating profit	362	484	383	182
Adjustments for:				
Depreciation of property, plant and equipment	19	11	19	11
Amortisation charge of right-of-use asset	75	75	14	15
Changes in working capital:				
Trade and other receivables	(242)	(2)	(357)	(9)
Trade and other payables	47	76	96	254
Cash generated from operations	261	644	155	453

22. EARNINGS PER SHARE

Earnings per share is based on the profit for the financial year attributable to the shareholders of Trident Estates plc divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

	Group	
	2021	2020
Profit from operations excluding fair value movements (€'000)	44	74
Profit from fair value movements (€'000)	506	-
Profit attributable to shareholders (€'000)	550	74
Weighted average number of ordinary shares in issue (thousands)	42,000	35,510
Earnings per share attributable to profits excluding fair value movements	€0.001	€0.002
Earnings per share attributable to fair value movements	€0.012	-
Earnings per share for the year attributable to shareholders	€0.013	€0.002

Basic and diluted EPS equates to the same amount as there are no potentially diluted shares in issue.

23. COMMITMENTS

Capital commitments

Commitments for capital expenditure related to investment property not provided for in these financial statements are as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Authorised and contracted	15,525	28,232	-	-
Authorised but not contracted	4,608	5,025	-	-

The above amount relates to the 'Trident Park' project which is budgeted to cost in the region of €50million. This project is being financed partly through bank funding amounting to €28.5million which has been secured in prior year and partly through a share capital rights issue that took place towards the end of this financial year.

Operating lease commitments - where Group and Company are a lessor

These leases principally relate to property rentals. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Not later than 1 year	1,093	1,137	764	746
Between 1 and 2 years	981	828	635	492
Between 2 and 3 years	1,029	373	677	129
Between 3 and 4 years	574	324	302	76
Between 4 and 5 years	307	243	199	77
Later than 5 years	1,188	263	562	264
	5,172	3,168	3,139	1,784

24. DIVIDENDS

During the financial year 2020, the Group paid out the sum of €200,000 (€0.007 per share) in respect of the final dividend that was declared in respect of financial year ended 31 January 2019. No final dividend was declared in respect of financial year ended 31 January 2020. The Board of Directors (the "Board") did not declare an interim dividend during financial year ended 31 January 2021, and in view of the uncertainty caused by the Covid-19 pandemic and the current stage of finalisation of the Trident Park project, do not believe that it would be appropriate to recommend the declaration of a final dividend to the forthcoming Annual General Meeting.

25. RELATED PARTY TRANSACTIONS

The following companies (and their respective subsidiaries and jointly-controlled entities) are considered to be related parties by virtue of their shareholding in the Company:

	Percentage of shares held	
	2021	2020
Farrugia Investments Limited	24.93	24.93
M.S.M. Investments Limited	25.06	25.06
Sciclunas Estates Limited	24.89	24.89

The remaining 25.12% of the shares are widely held. The shareholdings of the above-mentioned companies remain the same despite the rights issue which took place during the year.

The directors make particular reference to the fact that Simonds Farsons Cisk plc and its subsidiaries are considered to be related parties due to common directors and the common shareholding.

The following operational transactions were carried out with related parties:

	Group		Company	
	2021	2020	2021	2020
	€'000	€'000	€'000	€'000
Income from goods and services				
<i>From fellow subsidiaries</i>				
- Management fee	-	-	269	7
<i>From related parties</i>				
- Rental income	742	721	634	622
Expenditure for goods and services				
<i>From parent and related parties</i>				
- Recharged payroll expenses	89	249	-	35
- other recharged expenses	42	76	42	74

25. RELATED PARTY TRANSACTIONS – CONTINUED

Key management personnel compensation for 2021 and 2020, consisting of directors' and senior management remuneration, is disclosed as follows:

	Group	
	2021	2020
	€'000	€'000
Directors	197	197
Senior Management	305	297
	502	494

Amounts due from/to fellow subsidiaries, are disclosed in Notes 8 and 13 of these financial statements.

26. STATUTORY INFORMATION

Trident Estates plc is a public limited liability company incorporated in Malta.

27. SUBSIDIARIES

The principal subsidiaries at 31 January 2021 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2021	2020
Mensija Catering Company Limited	Trident Park Mdina Road, Zone 2, Central Business District, Birkirkara	Property leasing	100	100
Neptune Properties Limited	Trident Park Mdina Road, Zone 2, Central Business District, Birkirkara	Non-operating	100	100
Trident Park Limited	Trident Park Mdina Road, Zone 2, Central Business District, Birkirkara	Property development and leasing	100	100
Sliema Fort Company Limited	Trident Park Mdina Road, Zone 2, Central Business District, Birkirkara	Property leasing	100	100

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2021	Ordinary shares held as at 12 May 2021
Louis A. Farrugia	42,313	42,313
Michael Farrugia	7,773	7,773
Prof. Avv. Alberto Stagno d'Alcontres	801	801

Directors' interests listed above are inclusive of shares held in the name of the relative spouse and minor children as applicable.

Mr Alberto Miceli Farrugia and Prof. Avv. Alberto Stagno d'Alcontres have a beneficial interest in M.S.M. Investments Limited. Mr Louis A. Farrugia has a beneficial interest represented by 1 share in Farrugia Investments Limited. Mr Louis A. Farrugia and Mr Michael Farrugia respectively have a beneficial interest in 25% and 12.5% of the shares in Farrugia Holdings Limited which holds the rest of the shares in Farrugia Investments Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2021 to 12 May 2021.

Shareholders holding 5% or more of the equity share capital as at 12 May 2021

Ordinary shares

	Number of shares	Percentage holding
Farrugia Investments Limited	10,471,062	24.93
M.S.M. Investments Limited	10,523,255	25.06
Sciclunas Estates Limited	10,453,489	24.89

Shareholding details

As at 12 May 2021, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares at €1.00 each	1,751

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 12 May 2021

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €1.00 each			
Up to 500 shares	506	116,001	0.28%
501 – 1,000	313	230,603	0.55%
1,001 – 5,000	640	1,453,869	3.46%
More than 5,000	292	40,199,530	95.71%
	1,751	42,000,003	100.00%



Kenneth C. Pullicino
Company Secretary



TRIDENT

ESTATES PLC

ANNUAL REPORT 2020/2021

FOR THE YEAR ENDED 31 JANUARY 2021

A REFRESHING APPROACH FOR SUSTAINABLE DEVELOPMENT

TRIDENT PARK
MDINA ROAD, ZONE 2,
CENTRAL BUSINESS DISTRICT,
BIRKIRKARA CBD 2010 MALTA.



TRIDENT

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