Company Registration Number: C27157

# Trident Estates p.l.c.

## Condensed Consolidated Interim Financial Statements

## for the period ended 31 July 2019

# Table of Contents

# Interim Directors' Report

## Principal activities

The Group owns and manages property for rental and investment purposes. The current focus of the Group is the development of the Trident Park project.

## Trading performance

The Group recorded revenue of €575,000 in the six months ended 31 July 2019, as compared to €531,000 in the same period last year (2018). The increase in revenue is largely a result of inflationary adjustments to lease agreements and the recording of the new Scotsman Pub lease for a full period.

The increase in gross profit to €536,000 (2018: €433,000) is primarily due to the aforementioned changes in revenue and as a result of charges to income statement following the adoption of IFRS 16 dealing with leases, as highlighted in the 2018/2019 Annual Report. The latter resulted in direct costs by way of amortisation of €36,000 and finance costs of €95,000. Lease expenses totalled €98,000 under the former accounting standard.

Administrative expenses were contained at €303,000, or 7% lower than the prior period. Profit before tax for the six months amounted to €135,000 compared to €107,000 in 2018. The Group registered a marginal profit after tax of €12,000, as compared to a loss of €9,000 in 2018. The high tax charge is due to technical tax rules associated with certain classes of rental income.

## Trident Park project

Construction works at the Trident Park site continued to progress well during the first six months of the financial year. The mechanical, electrical and plant and the finishes tenders have been adjudicated and awarded. Full mobilisation of resources is expected in the last quarter of this year. Management continues to monitor the progress of the project closely and provides regular updates to the Board. The anticipated final cost is within the approved budget and the Group remains committed to welcome new tenants in the first quarter of 2021.

To date, the Trident Park project has been exclusively financed by the Group's own funds. As planned, the project will go on to be financed by available bank facilities amounting to €28.5 million which at the reporting date were unutilised, and the proceeds of a rights issue of €15 million.

## Rights Issue

As notified at the time of the spin off, the funding plan for the Trident Park project has been to incorporate a mixture of own funds, bank debt and new equity financing by way of a rights issue. The preparation process for the rights issue is well advanced, and a company announcement will be made when the documents are finalised and submitted for final approval. Applications received for the rights issue will be allotted in a manner that will enable the Company to raise the planned amount of new equity of €15 million.

## Dividends

The Board of Directors declared a dividend in June 2019 in respect of the financial year ended 31 January 2019. No interim dividend is being proposed for the current financial year. The extent of a final dividend distribution, if any, shall be determined on the basis of the full year results.

## **Interim Directors' Report** - continued

By order of the Board

| | |
|---|---|
| **Louis A. Farrugia** | **Vincent Curmi** |
| *Chairman* | *Vice Chairman* |

**Registered office:**
The Brewery
Mdina Road
Mriehel, BKR 3000

18 September 2019

## Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

We hereby confirm that to the best of our knowledge:

- The condensed consolidated interim financial information gives a true and fair view of the financial position of the Group as at 31 July 2019, and of its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim Financial reporting (IAS 34); and

- The Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

**Louis A. Farrugia**
*Chairman*

**Vincent Curmi**
*Vice Chairman*

## Condensed Consolidated Statement of Financial Position

| | As at 31 July 2019 (unaudited) €'000 | As at 31 January 2019 (audited) €'000 |
|---|---|---|
| **ASSETS** | | |
| Non-current assets | **46,089** | 38,317 |
| Current assets | **1,542** | 4,435 |
| **Total assets** | **47,631** | 42,752 |
| **EQUITY AND LIABILITIES** | | |
| Equity (Page 8) | **37,641** | 37,829 |
| Non-current liabilities | **6,147** | 2,524 |
| Current liabilities | **3,843** | 2,399 |
| **Total equity and liabilities** | **47,631** | 42,752 |

## Condensed Consolidated Income Statement

| | Six months ended 31 July | |
|---|---|---|
| | **2019 (unaudited) €'000** | 2018 (unaudited) €'000 |
| **Revenue** | **575** | 531 |
| Direct costs | **(39)** | (98) |
| **Gross profit** | **536** | 433 |
| Administrative expenses | **(303)** | (326) |
| Finance costs | **(98)** | - |
| **Profit before tax** | **135** | 107 |
| Tax expense | **(123)** | (116) |
| **Profit/(loss) for the period** | **12** | (9) |
| Earnings/(loss) per share (Note 3) | **0.0004** | (0.0003) |

## Condensed Consolidated Statement of Changes in Equity

| | Share capital €'000 | Fair value gains reserve €'000 | Retained earnings €'000 | Total equity €'000 |
|---|---|---|---|---|
| **Balance at 31 January 2019** | **30,000** | **2,936** | **4,893** | **37,829** |
| **Comprehensive income** | | | | |
| Profit for six months ended 31 July 2019 | - | - | 12 | 12 |
| **Transactions with owners** | | | | |
| Dividend declared | - | - | (200) | (200) |
| **Balance at 31 July 2019** | **30,000** | **2,936** | **4,705** | **37,641** |
| Balance at 31 January 2018 | 30,000 | 2,213 | 4,841 | 37,054 |
| **Comprehensive income** | | | | |
| Loss for six months ended 31 July 2018 | - | - | (9) | (9) |
| Balance at 31 July 2018 | 30,000 | 2,213 | 4,832 | 37,045 |

## Condensed Consolidated Statement of Cash Flows

| | Six months ended 31 July | |
|---|---|---|
| | **2019 (unaudited) €'000** | 2018 (unaudited) €'000 |
| Net cash generated from operating activities | **144** | 390 |
| Net cash used in investing activities | **(3,005)** | (686) |
| Net cash used in financing activities | **(138)** | - |
| Net movement in cash and cash equivalents | **(2,999)** | (296) |
| Cash and cash equivalents at beginning of period | **3,838** | 6,228 |
| **Cash and cash equivalents at end of period** | **839** | 5,932 |

## Notes to the Condensed Consolidated Interim Financial Statements

1. This statement is being published pursuant to the terms of Chapter 5 of the Listing Rules and the Prevention of Financial Markets Abuse Act 2005.

2. The financial information contained herein has been extracted from unaudited interim consolidated financial statements for the six months ended 31 July 2019 of Trident Estates plc, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 – Interim Financial Reporting) and as approved by the Board on 18 September 2019. In terms of Listing Rule 5.75.5, this interim report has not been audited by the Group's independent auditors.

3. Earnings per share is based on the profit after tax attributable to the ordinary shareholders of Trident Estates plc divided by the adjusted weighted average number of ordinary shares in issue during the period and ranking for dividend, amounting to an earnings per share of €0.0004 (2018: loss per share of €0.0003).

4. 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. Valuations of investment property are reviewed annually. The Board has approved capital expenditure amounting to €50 million, of which €37 million have been contracted, and €8.5 million have been incurred as at the end of the period. These capital commitments relate to the approved investment plan that comprises the construction of the Trident Park project.

5. The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 January 2019.

   A number of new or amended standards became applicable for the current reporting period. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases. The impact of the adoption of this standard and the new accounting policy are disclosed in Note 6 below. The other standards did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

6. The Group has adopted IFRS 16 using the modified retrospective approach from 1 February 2019, and has not restated comparatives for the 31 January 2019 reporting period, as permitted under the specific transitional provisions in the standard.

   The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening financial position on 1 February 2019.

   *(a) Adjustments recognised on adoption of IFRS 16*

   On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as of 1 February 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 5.0%.

## Notes to the Condensed Consolidated Interim Financial Statements - continued

*(a) Adjustments recognised on adoption of IFRS 16* - continued

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leasehold properties which are in turn being rented out to either third or related parties, or held for capital appreciation and further development.

The change in accounting policy affected the following items in the statement of financial position on 1 February 2019:

| | |
|---|---|
| - right-of-use assets (presented under non-current assets) | - increase by €3.8 million |
| - lease liabilities (presented under non-current liabilities) | - increase by €3.8 million |

*(b) The Group's leasing activities and how these are accounted for*

Until 31 January 2019, leases of investment properties were classified as operating leases. Payments made under operating leases were charged to income statement over the period of the lease.

From 1 February 2019, 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 Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement 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.

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.

<u>Critical judgements in determining the lease term</u>

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). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.