

TRIDENT ESTATES PLC

Annual General Meeting

9th October 2020

Shareholders' Q&A

The following is an account of the questions submitted by shareholders and the replies given thereto during the AGM

- Q1. In the director's report, you draw attention to the "disproportionate tax expense" which in fact exceeded the profit before tax. May you please explain why such a high tax expense is being incurred?

Rental income is generally taxed in one of two ways, either at a 15% final withholding tax on the gross revenue, or at 35% after deducting some specific and limited expenses. The taxation of rental income at the 15% rate, in most cases, results in the lower tax charge from the two options.

It is the choice of the tax-payer to choose whether to opt for the 35% or 15% rate, and this will depend on whichever results in the lowest tax charge. However, in the event that the lessor and lessee are considered to be related parties (as defined by the Income Tax Act), then only the 35% rate can be applied. Such is the case with the restaurant outlets Trident has leased to companies within the Simonds Farsons Cisk group – Trident is unable to benefit from a more favourable 15% tax rate on the rental income generated from these properties, and consequently, Trident incurs a significantly higher tax charge.

In our view the provisions of the Income Tax Act on the matter are anti-avoidance in nature, whereas the contracts entered into with SFC are on arms-length commercial terms. Representations are therefore being made to the IRD in this regard.

- Q2. We positively note your recent announcements in connection with the conclusion of a number of rental agreements despite the prevailing challenging scenario brought about by COVID-19.
- a. By how much have the originally targeted expected rental rates been reduced in order to secure such tenants?

- b. Is Trident Park still experiencing a healthy level of enquiries/interest for the remaining available office space?
- c. What are your views on the future prospects of the local property market particularly the segment related to office space?
- d. What level of occupancy are you currently envisaging to achieve upon the inauguration of the property?
- e. When do you expect to achieve full occupancy?
- f. What percentage of total revenue are the various amenities within Trident Park expected to contribute once the property is fully leased out?
- g. Are you expecting to make use of the entire amount of the €26 million loan facility for developing Trident Park?

Reference to the reductions in the original targeted rental rate to secure tenants, the current secured tenants have been contracted at competitive rates which were largely in line with our original targets. We are still at the negotiation stage with other potential tenants and we continue to aim for our original targets.

On the question relating to the level of enquiries, the answer is in the affirmative in that we continue to receive enquiries from a number of potential tenants and are also actively seeking out prospective clients. We are also about to launch next week, a fully-fledged marketing campaign. We understand that businesses may be hesitant at this point to take major decisions in view of the uncertainties brought about by the pandemic.

On the future prospects of the office market, there is a high probability that there will be an over-supply of office space coming on stream over the next few years. As noted in our annual report, we believe that this will cause downward pressure on rental rates. It is also possible that business could require reduced office spaces as employers conclude teleworking agreements with their employees. Nonetheless, the prospect of businesses cancelling their leases in search of smaller office spaces can also create opportunities for us.

In terms of occupancy, we can only mention targets at this time, and that our target is to reach full occupancy as soon as possible. With the uncertainties caused by COVID-19, it is a lot harder to estimate the rate of take up of office space but we are cautiously optimistic that we would attain 50% occupancy by the time we open the development.

Another question related to the revenue generated from amenities. The amenities will only make up a secondary and ancillary proportion of expected revenues. They serve primarily to complement the product offering of Trident Park. Rather than boost revenue directly, we expect these amenities will help secure better rates with tenants.

The last query related to the use of the remaining portion of the loan that has not been drawn down as yet. Although we endeavour to reduce capital costs, we expect that in due course we will be utilising the facility in its entirety.

Q3. Can you provide indications on when the company will start preliminary studies related to the redevelopment of Trident House?

Our primary focus at this time is to complete the Trident Park project on time and on budget and ensure its successful take-off from an operational perspective. The various options relating to the Trident House site will be studied after Trident Park is complete.

Q4. Are the rent abatements/concessions to some tenants of the leased restaurants still ongoing and when are the rates expected to revert to pre-COVID rates?

The rent abatements are in the form of discounts, therefore at this stage none of the contracted rates have been re-contracted. Management and the board are assessing the individual situations of Trident's tenants and will continue to grant discounts on a case-by-case basis. The discounts have been maintained on the minority of tenants at this point, with the majority of tenants being charged at pre-COVID rates.