

**MERCURY PROJECTS FINANCE P.L.C.**

**ANNUAL REPORT**

**31 DECEMBER 2019**

**MERCURY PROJECTS FINANCE P.L.C.**

**ANNUAL REPORT**

**31 DECEMBER 2019**

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# **MERCURY PROJECTS FINANCE P.L.C.**

## **GENERAL INFORMATION FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

### **Board of Directors:**

Mr. Joseph Portelli  
Mr. Peter Portelli  
Mr. Stephen Muscat  
Mr. Mario Vella

### **Company Secretary:**

Dr. Joseph Saliba

### **Registered Office:**

1400, Block 14  
Portomaso  
St Julians STJ 4014  
Malta

### **Bankers:**

Bank of Valletta Plc  
102, Republic Street  
Victoria VCT 1017  
Gozo

### **Legal Advisor:**

Saliba Strafrace Legal  
9/4, Britannia House  
Old Bakery Street  
Valletta VLT 1450  
Malta

### **Auditors:**

Baker Tilly Malta  
Level 5  
Rosa Marina Building  
216 Marina Seafront  
Pieta' PTA 9041  
Malta

# **MERCURY PROJECTS FINANCE P.L.C.**

## **DIRECTORS' REPORT FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

The directors present herewith their annual report together with the audited financial statements of Mercury Projects Finance P.L.C. ("the Company") for the period 16 January 2019, this being the date of incorporation of the Company, to 31 December 2019. The directors have prepared the report in accordance with Article 177 of the Malta Companies Act (Cap 386) including the further provisions as set out in the Sixth Schedule to the Act.

### **Principal Activities**

The principal activities of the Company consist in acting as a finance and investment vehicle of Mercury Towers Ltd. group.

On 4 March 2019, the Company issued €11,500,000 3.75% secured bonds maturing in 2027 (Series I Bonds) and a further €11,000,000 4.25% secured bonds maturing in 2031 (Series II Bonds). Both bonds were issued at a nominal value of €100 per bond. These bonds were admitted to the official list of the Malta Stock Exchange with effect from 29 March 2019 and trading in the bonds commenced on 5 April 2019.

In accordance with the provisions of the Prospectus dated 4 March 2019, the proceeds from the bond issue have been advanced by way of a loan facility to the Guarantor and Parent company, namely Mercury Towers Ltd., for the purpose of refinancing existing bank loans and for the construction and finishing of project elements at the Mercury site in St. Julian's, which project is owned by the Guarantor.

### **Review of Business**

During the period, interest income on loan receivable from the parent company amounted to €824,578. After accounting for interest payable on the Company's borrowings and administrative costs, the Company registered a profit before taxation amounting to €78,298. The company's financial position is dependent on the parent company's ongoing obligation to pay the annual interest on loan granted which serves as the primary income to pay out the annual interest on the public bond. As well as in later years, in paying back the principal on loan maturity, which proceeds are used to repay the Bonds to the bondholders, the guarantor offers the maximum support to the issuer, through the strength of its Balance Sheet. The Company's balance sheet is primarily made up of the bond issues for €22.5 million and corresponding loans to the parent company amounting to €22.44 million. The Company's equity as at the end of the financial period amounted to €283,909.

### **Key Risks**

The key risks associated with the Company and the Guarantor as parent and operating company are those associated with the exposure to real estate development market as well as to an array of competitive pressures in the operation and management of hospitality, accommodation and commercial rental markets in Malta. The full list of all the key risks listed in the Prospectus are still applicable to the Company and the Parent.

### **COVID-19**

The coronavirus 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

The directors have assessed the effect of the COVID-19 on the company's operations and although these may be adversely affected in the short term, the long term assessment is that the company's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.

# **MERCURY PROJECTS FINANCE P.L.C.**

## **DIRECTORS' REPORT FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

### **Results, Dividends and Reserves**

The results for the period and the movement on the reserves are as set out on pages 12 and 14 of the financial statements respectively. The directors do not recommend the distribution of any dividends.

### **Directors**

The directors listed above served in office throughout the period. In accordance with the Company's Articles of Association, the directors at date of this report offer themselves for re-election.

### **Statement of Directors' Responsibilities for the Financial Statements**

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

In preparing these financial statements, the directors are required to:

- ) adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- ) select suitable accounting policies and apply them consistently;
- ) make judgements and estimates that are reasonable and prudent;
- ) account for income and charges relating to the accounting period on the accruals basis;
- ) value separately the components of asset and liability items; and
- ) report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of Responsibility pursuant to the Listing Rules issued by the Listing Authority**

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 company as at 31 December 2019 and of the financial performance and the cash flows for the period 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 company, together with its principal risks and uncertainties that the company and the guarantor face.

# **MERCURY PROJECTS FINANCE P.L.C.**

## **DIRECTORS' REPORT FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

### **Going Concern Statement pursuant to Listing Rule 5.62**

After making enquires, the directors, at the time of approving the financial statements, have determined that it is reasonable to assume that the company has 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.

### **Auditors**

Baker Tilly Malta have intimated their willingness to continue in office. A proposal to reappoint Baker Tilly Malta as auditors of the Company will be put to the General Meeting.

Approved by the Board of Directors on 27 April 2020 and signed on its behalf by:



Mr. Joseph Portelli  
**Director**



Mr. Mario Vella  
**Director**

# **MERCURY PROJECTS FINANCE P.L.C.**

## **CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE**

### **Introduction**

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Mercury Projects Finance P.L.C. (the ‘Issuer’ or the ‘Company’) as wholly owned subsidiary of Mercury Towers Ltd., (the ‘Guarantor’), hereby reports on the extent to which the Company has adopted the ‘Code of Principles of Good Corporate Governance’ appended to Chapter 5 of the Listing Rules as well as the measure adopted to ensure compliance with the same Principles.

The Board of Directors of the Company notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good governance. Nevertheless, the Board strongly maintains that the Principles are in the best interest of both the shareholders and investors, since they ensure that the directors adhere to internationally recognised high standards of corporate governance.

The Board recognises that in line with Listing Rule 5.101, the Company is exempt from making available the information set out in Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8

### **Roles and Responsibilities of the Board**

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company assumes responsibility for:

- J The company’s strategy and decisions with respect to the issue, servicing and repayment of the Bonds
- J Monitoring that its operations are in conformity with its commitments towards the bondholders, shareholders, other external financiers and all relevant laws and regulations.

The Board is responsible for ensuring that the Company installs and operates effective internal controls and management information systems and that it communicates effectively with the market.

### **The Board of Directors**

The Board of directors is made up of five directors who were appointed by the ultimate principal shareholder, Mr. Joseph Portelli.

During the financial period ended 31 December 2019, Mr. Joseph Portelli occupied a senior position within the Mercury Group of Companies. The remaining directors, namely Mr. Mario Vella, Mr. Stephen Muscat and Mr. Peter Portelli, who were all appointed from the date of company registration, act as non-executive and independent directors. Since they are each free of any business, family or other relationship with the Issuer and its ultimate beneficial shareholder, there are no conflicts of interest such as to impair their judgement.

### **The Role of the Board of Directors**

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of the bondholders and shareholders.

The Board met five times during the period from 16 January 2019 to 31 December 2019 and all members attended the said meetings. The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary, which are then discussed during the Board meetings.

## **MERCURY PROJECTS FINANCE P.L.C.**

### **CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE**

#### **The Role of the Board of Directors (Contd.)**

Apart from setting out the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- J direct supervision, supported by expert professional advice as appropriate, on the issue and listing of the Bonds;
- J that the proceeds of the Bonds are applied for the purposes specified in the Offering Memorandum of the Bonds in issue;
- J proper authorisation of the resources of the Company;
- J approval of the annual report and financial statements and the relevant public announcements and for the Company's compliance with its continuing listing obligations.

The Board did not consider it necessary to set up a separate remuneration and nominations committee, as it does not have any employees. However, it did set up an Audit Committee.

#### **The Audit Committee**

The Audit Committee established by the Board meets regularly, with a minimum of four times annually, is currently composed of the following:

Mr. Stephen Muscat (Chairman)  
Mr. Mario Vella  
Mr. Peter Portelli

All three directors are non-executive and independent. In assessing independence of the three Board members, due notice has been taken of Section 5.117 of the Listing Rules. Furthermore, Mr. Stephen Muscat is the independent non-executive director who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

The chief financial officer and other key management officials are regularly invited to attend the Audit Committee meetings.

The Audit Committee met twice throughout the period from date of incorporation to 31 December 2019. Communication with and between the Company Secretary and top management is ongoing and considerations that require the Committee's attention are acted upon between meetings and decided by the members through electronic circulation and correspondence.

As required by the Companies Act (Cap 386 of the Laws of Malta), and the Malta Financial Services Authority Listing Rules, the financial statements of the Company are subject to an annual audit by its external auditors. The non-executive directors have direct access to the external auditors of the Company, who attend the Board meetings at which the financial statements are approved. In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by the appointed broker, legal advisor and the external auditors. Board members are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company expense.

The Company has formal mechanisms to monitor dealings by the directors and senior officials in the bonds of the Company and has put in place appropriate measures for the advance notification of such dealings.



## **MERCURY PROJECTS FINANCE P.L.C.**

### **CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE**

#### **Relations with the Market**

The market is kept up to date with all relevant information by publishing relevant information on its website to ensure consistent relations with the market.

#### **Remuneration Statement**

Pursuant to the Company's Memorandum and Articles of Association, the maximum annual aggregate remuneration that may be paid to the directors is approved by the shareholders in General Meeting. The remuneration is a fixed amount per annum and does not include any variable component relating to profit-sharing, share options or pension benefits.

During the period, the directors received emoluments amounting to €33,750. No remuneration was paid to the executive director.

#### **Conclusion**

The Board considers that the Company has generally been in compliance with the principles throughout the period under review as befits a company of its size and nature.

Approved by the Board of Directors on 27 April 2020 and signed on its behalf by:



Mr. Joseph Portelli  
**Director**



Mr. Mario Vella  
**Director**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF MERCURY PROJECTS FINANCE P.L.C.**

#### *Report on the Audit of the Financial Statements*

We have audited the financial statements of Mercury Projects Finance P.L.C. ("the Company") set out on pages 12 to 27 which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

#### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

#### *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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *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.

Loans receivable represent funds advanced to the parent company in terms of the Bond Issue Offer Memorandum. The loan balance at period end amounted to € 22,444,358 whilst accrued interest thereon amounted to € 824,578. As explained in accounting policy 3.5, the recoverability of the loan and interest thereon is assessed at each financial period end. The loan and accrued interest receivable thereon constitute the principal assets of the company, which is why we have given due attention to this area.

We have agreed the terms of the loan and interest to supporting loan agreements. We have also assessed the financial soundness of the parent company, and in so doing, we made reference to the latest audited financial statements, management accounts, forecasts and other prospective information made available to us.

Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the loan and accrued interest thereon.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF MERCURY PROJECTS FINANCE P.L.C.**

#### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Companies Act (Cap. 386).

Based on the work performed, in our opinion:

- J the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- J the directors' report has been prepared in accordance with the Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Company's Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines 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, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting.

#### *Auditors' 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 auditors' 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 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:

- J 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.
- J 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 Company's internal control.
- J Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF MERCURY PROJECTS FINANCE P.L.C.

#### *Auditors' Responsibilities for the Audit of the Financial Statements (Contd.)*

- J Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- J 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.
- J 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.
- J We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

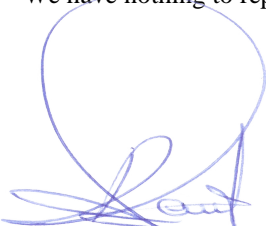
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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.

#### *Other Legal and Regulatory Requirements*

We also have responsibilities under the Companies Act, 1995 (Chapter 386, Laws of Malta), to report to you if, in our opinion:

- J Adequate accounting records have not been kept;
- J The financial statements are not in agreement with the accounting records;
- J We have not received all the information and explanations we required for our audit;

We have nothing to report to you in respect of these responsibilities.



This copy of the audit report has been signed by  
Donald Sant for and on behalf of

**Baker Tilly Malta**  
*Registered Auditors*

27 April 2020

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF MERCURY PROJECTS FINANCE P.L.C.**

#### **Report on Other Legal and Regulatory Requirements**

#### **Report on the Statement of Compliance with the Principles of Good Corporate Governance**

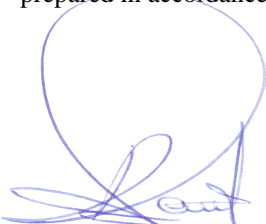
The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Report a Statement of Compliance providing explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the period with those principles.

The Listing Rules also require the auditors to report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance set out on pages 5 to 7 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Report.

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.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



This copy of the audit report has been signed by  
Donald Sant for and on behalf of

**Baker Tilly Malta**  
*Registered Auditors*

27 April 2020

## MERCURY PROJECTS FINANCE P.L.C.

### STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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		<u>2019</u>
	Note	Euro
<b>Finance Income</b>	4	<b>824,578</b>
Finance Cost	5	<b>(689,452)</b>
<b>Net Interest Income</b>		<b>135,126</b>
Administrative Overheads		<b>(56,828)</b>
<b>Results from Operating Activities</b>	6	<b>78,298</b>
<b>Profit before Taxation</b>		<b>78,298</b>
Tax Expense	7	<b>(44,389)</b>
<b>Profit for the Period</b>		<b>33,909</b>
<b>Total Comprehensive Income for the Period</b>		<b>33,909</b>
<b>Earnings Per Share</b>	8	<b>0.1356</b>

The notes on pages 16 to 27 form an integral part of these financial statements.

# MERCURY PROJECTS FINANCE P.L.C.

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

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		<u>2019</u>
	Note	Euro
<b>ASSETS</b>		
Interest Bearing Receivables	9	22,444,358
<b>Total Non-Current Assets</b>		<u>22,444,358</u>
Other Receivables	10	827,647
Cash and Cash Equivalents	11	257,082
<b>Total Current Assets</b>		<u>1,084,729</u>
<b>Total Assets</b>		<u>23,529,087</u>
<b>EQUITY</b>		
Share Capital	12	250,000
Retained Earnings		33,909
<b>Total Equity</b>		<u>283,909</u>
<b>LIABILITIES</b>		
Interest Bearing Borrowings	13	22,500,000
<b>Total Non-Current Liabilities</b>		<u>22,500,000</u>
Other Payables	14	700,789
Taxation Payable	7	44,389
<b>Total Current Liabilities</b>		<u>745,178</u>
<b>Total Liabilities</b>		<u>23,245,178</u>
<b>Total Equity and Liabilities</b>		<u>23,529,087</u>

The notes on pages 16 to 27 form an integral part of these financial statements.

The financial statements on pages 12 to 27 were approved and authorised for issue by the Board of Directors on 27 April 2020 and signed on its behalf by:



Mr. Joseph Portelli  
Director



Mr. Mario Vella  
Director

**MERCURY PROJECTS FINANCE P.L.C.**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

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	<u>Total</u>	<u>Share Capital</u>	<u>Retained Earnings</u>
	Euro	Euro	Euro
<b>Contributions by Owners of the Company</b>			
Issue of Ordinary Shares	250,000	250,000	-
<b>Comprehensive Income for the Period</b>			
Profit for the Period	33,909	-	33,909
<b>Balance at 31 December 2019</b>	<u>283,909</u>	<u>250,000</u>	<u>33,909</u>

The notes on pages 16 to 27 form an integral part of these financial statements.



# MERCURY PROJECTS FINANCE P.L.C.

## STATEMENT OF CASH FLOWS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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		<u>2019</u>
	Note	Euro
<b>Cash Flows from Operating Activities</b>		
Profit for the Period		33,909
<i>Adjustments for:</i>		
Income Tax Expense		44,389
		-----
		78,298
<b>Changes in</b>		
Finance Income		(824,578)
Finance Expense		694,172
Other Receivables		(3,070)
Other Payables		6,617
		-----
<b>Cash Lost from Operations</b>		(48,561)
		-----
<b>Cash Flows from Investing Activities</b>		
Loan Advanced to Parent Company		(22,444,357)
		-----
<b>Net Cash used in Investing Activities</b>		(22,444,357)
		-----
<b>Cash Flows from Financing Activities</b>		
Issue of Share Capital		250,000
Proceeds from Borrowings		22,500,000
		-----
<b>Net Cash from Financing Activities</b>		22,750,000
		-----
<b>Net Movement in Cash and Cash Equivalents</b>		257,082
Cash and Cash Equivalents at Beginning of Period		-
		-----
<b>Cash and Cash Equivalents at End of Period</b>	11	257,082
		=====

The notes on pages 16 to 27 form an integral part of these financial statements.

# MERCURY PROJECTS FINANCE P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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### 1. Reporting Entity

Mercury Projects Finance P.L.C. (“the Company”) is a limited liability company domiciled and incorporated in Malta. The Company’s registered office is at 1400, Block 14, Portomaso, St. Julians STJ 4014, Malta.

The principal activity of the Company is to act as a finance vehicle to the parent company, namely Mercury Towers Ltd., which company owns all the shares but one of the issued and paid up capital of the Company.

Mercury Projects Finance P.L.C. was listed on the Malta Stock Exchange following the issue of two Bonds. The Bonds were issued on 29 March 2019 and trading of such Bonds commenced on 5 April 2019.

### 2. Basis of Preparation

#### 2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“the applicable framework”). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta), to the extent that such provisions do not conflict with the applicable framework.

#### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis.

#### 2.3 Going Concern Basis

During the financial period ended 31 December 2019, the company issued €11,500,000 3.75% Secured Bonds of €100 each maturing 2027, and a further €11,000,000 4.25% Secured Bonds of €100 each maturing 2031. The net proceeds were advanced as two loans to the parent company, namely Mercury Towers Ltd.

The ability of Company to meet its obligation both in terms of servicing its debt and ultimately repaying the bond holders on the redemption date, is dependent on the ability of Mercury Towers Ltd., as guarantor, to meet its obligations towards the Company.

The directors are satisfied that the Company has sufficient funds in order to meet its commitments in the foreseeable future and it is therefore appropriate to adopt the going concern assumption in the preparation of these financial statements. These financial statements do not include any adjustments should the above strategies not materialise.

#### 2.4 Functional and Presentation Currency

These financial statements are presented in Euro (€), which is the Company’s functional currency.

#### 2.5 Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 (revised).

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 2. Basis of Preparation (*Contd.*)

##### 2.6 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

##### 2.7 New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however the company has not early adopted the new or amended standards in preparing these financial statements.

Standards and amendments that are effective for the first time in 2019 and could be applicable to the company are:

- ) *IFRIC 23 Uncertainty over Income Tax Treatments*
- ) *IFRS 16 Leases*
- ) *IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- ) *IAS 28 Long-term interests in Associates and Joint Venture (Amendments to IAS 28)*
- ) *Annual improvements to IFRS 2015-2017 Cycle*
- ) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

Other Standards and amendments that are not yet effective and have not been adopted early by the company include:

- ) *Definition of Material (Amendments to IAS 1 and IAS 8) – Effective 1 January 2020*
- ) *IFRS 3 Business Combinations – Effective 1 January 2020*
- ) *IFRS 17 Insurance Contracts – Effective 1 January 2023*

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 3. Significant Accounting Policies

The accounting policies set out below have been applied throughout the period presented in these financial statements.

##### 3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### 3.2 Revenue

###### *Finance Income*

Finance income comprises interest receivable in the ordinary course of business. Interest receivable is recognised in the income statement on the date of the company's right to receive payment is established.

##### 3.3 Finance Costs

Finance costs represent interest payable on the bond in issue, as set out in notes to these financial statements. Finance costs are recognised as an expense in profit and loss in the period in which they are incurred.

##### 3.4 Bond Issue Costs

Bond issue costs representing fees incurred in connection with the issuance of the bonds by the company were recharged to the parent company as the beneficiary of the funding.

##### 3.5 Receivables

Receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Receivables are written off or provided for where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure by the debtor to abide by the credit terms or failure to engage in a repayment programme with the company for the settlement of amounts due.

Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off or provided for are credited against the same line item

##### 3.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits at call with financial institutions, other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.7 Trade and Other Payables

Trade and other payables comprise obligations to pay for goods and 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. If not, they are presented as non-current liabilities. The carrying amount of trade and other payables are considered to be the same as their fair values due to their short-term nature.

##### 3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

##### 3.9 Share Capital

Ordinary shares are classified as equity

##### 3.10 Earnings per Share

The company presents basic earnings per share (EPS) data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at year end.

##### 3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- (a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- (b) temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# MERCURY PROJECTS FINANCE P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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### 4. Finance Income

	<u>2019</u>
	Euro
Interest Receivable on Parent Company Loans	824,578
<b>Finance Income</b>	<u>824,578</u>

### 5. Finance Costs

	<u>2019</u>
	Euro
Bond Interest Expense	689,452
<b>Finance Costs</b>	<u>689,452</u>

### 6. Results from Operating Activities

The results from operating activities are stated after charging the following:

	<u>2019</u>
	Euro
Auditors' Remuneration (inclusive of VAT)	7,080
Directors' Remuneration	33,750
	<u>                    </u>

#### 6.1 Employee Information

The company did not have any persons employed with it during the period.

### 7. Tax Expense

	<u>2019</u>
	Euro
Current Tax Expense	44,389
<b>Total Tax Charge</b>	<u>44,389</u>

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 7. Tax Expense (Contd.)

##### 7.1 Reconciliation of Effective Tax Rate

The tax expense and the result of the accounting profit multiplied by the applicable tax rate in Malta, the Company's country of incorporation, are reconciled as follows:

	<u>2019</u>
	Euro
<b>Profit before Taxation</b>	<b>78,298</b>
	=====
Tax Using the Company's Domestic Tax Rate of 35%	27,404
Tax Effect of Non-Allowable Expenses	16,985
	-----
<b>Tax Expense for the Period</b>	<b>44,389</b>
	=====

##### 7.2 Tax Liability

The liability for taxation is made up as follows:

	Euro
<b>Year of Assessment</b>	
2020 – Provision	44,389
	-----
<b>Taxation Due</b>	<b>44,389</b>
	=====

#### 8. Earnings per Share

Basic earnings per share is based on the profit/(loss) attributable to the shareholders of Mercury Projects Finance P.L.C. divided by the number of shares in issue at the year-end.

#### 9. Interest Bearing Receivables

	<u>2019</u>
	Euro
<b>Non-Current:</b>	
Loan Advanced to Parent Company	11,500,000
Loan Advanced to Parent Company	10,944,358
	-----
<b>Total Interest Bearing Receivables</b>	<b>22,444,358</b>
	=====

- 9.1 The loan receivable of €11,500,000 is subject to an annual interest rate of 4.75% and is repayable by 2027, whilst the loan receivable of €10,944,358 is subject to interest at the annual rate of 5.25% and is repayable by 2031. Both loans are secured by immovable property of the parent company. The loan balances include costs amounting to €394,352 incurred by the company in connection with the Bond Issues in view that the said costs were exclusively incurred to finance the operations of the parent company.

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 10. Other Receivables

	<u>2019</u>
	Euro
Accrued Interest on Loans Receivable from Parent Company	824,578
Prepayments	3,069
	-----
	<b>827,647</b>
	=====

- 10.1 The accrued interest on loans receivable due from the parent company are due for payment on the anniversary of when the loans were advanced by the company in terms with conditions listed in the Company's Prospectus.

#### 11. Cash and Cash Equivalents

	<u>2019</u>
	Euro
Bank Balances	257,082
	-----
<b>Cash and Cash Equivalents</b>	<b>257,082</b>
	=====

#### 12. Share Capital

	<u>2019</u>
	Euro
<b>Authorised</b>	
500,000 Ordinary Shares of €1 each	500,000
	=====
<b>Issued and Fully Paid Up</b>	
250,000 Ordinary Shares of €1 each	250,000
	=====

The holders of the Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### 13. Interest Bearing Borrowings

	<u>2019</u>
	Euro
<b>Non-Current:</b>	
3.75% Series I Bonds 2027	11,500,000
4.25% Series II Bonds 2031	11,000,000
	-----
<b>Total Interest Bearing Borrowings</b>	<b>22,500,000</b>
	=====

- 13.1 The Bonds are secured by a first general hypothec on a number of specific areas within a property project of the parent company, Mercury Towers Ltd., for an amount of €25,864,000.



## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

#### 14. Other Payables

	<u>2019</u>
	Euro
Accrued Interest on Borrowings	689,452
Other Payables	267
Accrued Expenses	9,749
Amount due to Parent Company	1,321
	-----
	<b>700,789</b>
	=====

14.1 The amount due to the parent company is unsecured, interest free and repayable on demand.

#### 15. Fair Value Hierarchy

The following table shows financial instruments recognized at fair value for the period ended 31 December 2019, analysed between those whose fair value is based on:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.

The following table presents the company's assets and liabilities that are not measured at fair value but for which the fair value is disclosed.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	Euro	Euro	Euro	Euro
<b>31 December 2019</b>				
<b>Financial Assets</b>				
Interest Bearing Receivables	22,444,358	-	-	22,444,358
Other Receivables	827,647	-	-	827,647
Cash and Cash Equivalents	257,082	-	-	257,082
	-----	-----	-----	-----
	<b>23,529,087</b>	-	-	<b>23,529,087</b>
	=====	=====	=====	=====
<b>Financial Liabilities</b>				
Borrowings	22,500,000	-	-	22,500,000
Trade and Other Payables	700,789	-	-	700,789
Taxation Payable	44,389	-	-	44,389
	-----	-----	-----	-----
	<b>23,245,178</b>	-	-	<b>23,245,178</b>
	=====	=====	=====	=====

During the reporting period ended 31 December 2019, there was no transfer between Level 1 and Level 2 fair value measurement.

# MERCURY PROJECTS FINANCE P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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### 16. Financial Risk Management

#### 16.1 Overview

The Company activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks:

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### 16.2 Risk Management Framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management objectives and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details of these policies are set out below:

#### 16.3 Fair Value Interest Rate Risk

The Company's transactions consist mainly of earning interest income on advances affected, principally from the bond issue proceeds, and servicing its borrowings. The Company's significant interest-bearing instruments, comprising advances to the parent company and the bonds issued to the general public, are subject to fixed interest rates. The Company has secured the spread between the return on its investment in the parent company and its cost of borrowings. Accordingly, the Company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the nature of the fixed interest nature of its instruments, which are however measured at amortised cost. The Company's operating income and cash flows are substantially independent of changes in market interest rates, and on this basis, the directors consider the potential impact on the profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

#### 16.4 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans receivable from its parent company, Mercury Towers Ltd. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to place cash with financial institutions of a high credit rating.

##### *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	<u>2019</u>
	Euro
Loans Receivable from Parent Company	22,444,358
Other Receivables	827,647
Cash and Cash Equivalents	257,082
	-----
	23,529,087
	=====

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 16. Financial Risk Management (Contd.)

##### 16.4 Credit Risk (Contd.)

**16.4.1** The Company's loans receivable consist of advances made to its parent company, Mercury Towers Ltd., which advances were affected out of the proceeds of the company's net bond issue proceeds. The Company monitors intra-group credit exposures on a regular basis and ensures timely performances of these assets in the context of overall group liquidity management. The company's collateral held as security in respect of the financial assets is disclosed in Note 13 to the financial statements. The Guarantor in relation to the bond issue is Mercury Towers Ltd. The Company assesses the credit quality of Mercury Towers Ltd. taking into account the financial position, performance and other factors. The Company takes cognisance of the related party relationship with its parent, and management does not expect any losses from non-performance or default.

**16.4.2** The company's other receivables mainly include accrued interest receivable from the parent company in respect of the advances referred to above.

At the end of the reporting period, the company had no past dues or impaired financial assets.

##### 16.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which comprise principally of the bonds issued to the general public and other payables. Prudent liquidity risk management includes, maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to the parent company effected out of the bond issue proceeds, together with the related interest receivable, match the cash outflows in respect of the Company's bond borrowings, covering principal and interest payments, as referred to in the table hereunder.

The following table analyses the Company's liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal the carrying balances, as the impact of the discounting is not significant.

	<u>Within 1 Year</u>	<u>Between 1-2 Years</u>	<u>Between 2-5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
	Euro	Euro	Euro	Euro	Euro
<b>31 December 2019</b>					
Borrowings	898,750	898,750	2,696,250	27,066,250	31,560,000
Other Payables	11,337	-	-	-	11,337
	-----	-----	-----	-----	-----
	<b>910,087</b>	<b>898,750</b>	<b>2,696,250</b>	<b>27,066,250</b>	<b>31,571,337</b>
	=====	=====	=====	=====	=====

##### 16.6 Market Risk

Market risk is the risk that changes in market prices, such as foreign currency and interest rates will affect the Company's income on the loans affected from the proceeds of the secured Bonds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## MERCURY PROJECTS FINANCE P.L.C.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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#### 16. Financial Risk Management (*Contd.*)

##### 16.6.1 Currency Risk

The company is not exposed to foreign currency risk because its principal assets and liabilities are denominated in Euro. The company's interest income, interest cost and other operating expenses are also denominated in Euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period, is not deemed necessary.

##### 16.7 Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The parent company's objectives when managing capital at the company level is to safeguard the respective company's ability to continue as a going concern in order to provide returns to the parent company and benefits other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The capital equity, as disclosed in the financial statements, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognizance of the nature of the company's assets, together with collateral held as security backing the company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

The Company is not subject to externally imposed capital requirements.

#### 17. Related Parties

##### 17.1 Parent and Ultimate Controlling Party

The Company is a subsidiary of Mercury Towers Ltd. (the "Parent Company") whose registered office is at 1400, Block 14, Portomaso, St. Julians, Malta.

Mercury Towers Ltd. is in turn fully owned by Mr. Joseph Portelli.

Mercury Towers Ltd. prepares consolidated financial statements of the Group of which Mercury Projects Finance P.L.C. forms part. These financial statements are filed and available for public viewing at the Malta Business Registry.

##### 17.2 Identity of Related Parties

The Company has a related party relationship with its parent company and directors.

# MERCURY PROJECTS FINANCE P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019

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### 17. Related Parties (*Contd.*)

#### 17.3 Related Party Transactions and Balances

	<u>2019</u>
	Euro
<b>Parent Company</b>	
Loans Advanced to Parent Company	(22,050,006)
Costs relating to the Bonds Issued recharged to Parent Company	394,352
Accrued Interest Income due from	824,578
Expenses incurred by Parent Company on behalf of company	1,321
	=====

Amounts due from and to the parent company are disclosed in Notes 9 and 14 to these financial statements.

The key management of the company are considered to be the directors. The Directors' remuneration has been disclosed in Note 6 to these financial statements.

17.4 Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations. Transactions with these companies principally include advances affected by the Company from the Bond proceeds referred to in the notes to the financial statements.

### 18. Capital commitments

The company did not have any commitments to purchase any property, plant and equipment at period end.

### 19. Contingent Liabilities

At period end, the company did not have any contingent liabilities.

### 20. Subsequent Events

The coronavirus 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand, layoffs and leave of absence, and other restructuring activities. The continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on an entity's financial results.

The directors have assessed the effect on COVID-19 on the company's operations and although these may be adversely affected in the short term, the long term assessment is that the company's assets will be preserved and consequently the going concern basis applied to these financial statements is still applicable.

The directors evaluated subsequent events since 31 December 2019 up to the date of approval of these financial statements, and the Board concluded that there were no other subsequent events which require disclosure in the financial statements.

**MERCURY PROJECTS FINANCE P.L.C.**

**SCHEDULE TO INCOME STATEMENT  
FOR THE PERIOD 16 JANUARY 2019 TO 31 DECEMBER 2019**

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	<u>2019</u>
	Euro
<b>Finance Income</b>	
Loan Interest Receivable	824,578
<b>Finance Costs</b>	
Bond Interest Expense	689,452
	-----
<b>Net Interest Income</b>	135,126
	-----
<b>Administrative Overheads</b>	
Auditors' Remuneration	7,080
Bank Charges	40
Directors' Remuneration	33,750
General Expenses	2,045
Other Charges	12,544
Professional Fees	1,278
Social Costs	91
	-----
	56,828
	-----
<b>Operating Profit</b>	78,298
	=====