MERCURY TOWERS LTD.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Company Reg. No: C77402

GENERAL INFORMATION
31 DECEMBER 2021

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Director:

Mr. Joseph Portelli

Company Secretary:

Dr. Ian Stafrace

Registered Office:

J. Portelli Projects
1400, Block 14
Portomaso
St. Julians STJ4014
Malta

Bankers:

Bank of Valletta plc
102, Republic Street
Victoria VCT1017
Gozo

Lombard Bank plc
67, Merchants Street
Valletta
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Legal Advisor:

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Auditors:

Baker Tilly Malta
Level 5
Rosa Marina Building
216, Marina Seafront
Pieta' PTA9041
Malta

Director

Mr. Joseph Portelli

The sole director presents herewith his annual report together with the financial statements of Mercury Towers Ltd. (the "Company" and the "Group", Separate and Consolidated respectively) for the year ended 31 December 2021. The director has prepared the report in accordance with Article 177 of the Malta Companies Act (Cap 386, Laws of Malta) (the "Act") including the further provisions as set out in the Sixth Schedule to the Act.

Principal Activities

The current principal activity of Mercury Towers Ltd. is the purchase and sale of property within the Mercury Tower Project in St Julian's, Malta. The Company owns the land and Mercury House, a 19th Century Grade 2 villa. The Company is also building and will be retaining certain areas of the property for eventual operation by the Company or any subsidiary formed for that purpose. In August 2021, Mercury Towers Ltd. acquired the adjacent site from SGE Properties Ltd., thereby consolidating the ownership of the entire site to be developed.

During the year under review, the Company also entered into a promise of sale agreement for the acquisition of 68% of Mercury Car Park Ltd. from Bersella Holdings Ltd., the company owning the car park under the first phase of the development. This strategic re-acquisition was concluded for a price of €9 million, thus increasing the shareholding of the Company in Mercury Car Park Ltd. to 93%.

An increase in the issued share capital of the Company was also affected during the current year. This increase amounting to €10,000,000 and was made through a cash injection.

On 12 March 2022, the airspace of the hotel was transferred by Mercury Towers Ltd. to Mercury Hotel Ltd. for the price of €14,600,000.

The Group comprises the Company and its wholly owned subsidiary Mercury Projects Finance p.l.c. ("MPFP"). MPFP was set up on 16 January 2019, with its principal activities being those of acting as a finance and investment vehicle for the Group. During the last few weeks of the year under review, three fully owned subsidiaries were registered, namely Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd., for the purpose of owning and operating parts of the property to be retained by the Group. The first financial year of these newly formed subsidiaries will be 2022.

The Company is the Guarantor to the first bond issued by MPFP issued in 2019. It is also the Guarantor of the new bond issued in 2022.

Review of Business

During the current year, works on the development progressed within the constraints of the pandemic. The Company and the Group continued to sign new preliminary agreements on the units situated in the main tower and started signing new preliminary agreements on units to be built in the peripheral block which was launched in the fourth quarter of the year. The Company's equity at the end of the year under review is €37,542,771 (2020: € 26,141,101). The increase in equity primarily resulted from the increase in share capital and the revaluation of property.

Review of Business *(Contd.)*

Turnover and cost of sales
Revenue is recognized once the deeds of sale are signed. During the year under review, revenue amounted to €4,934,220 (2020: €19,836,010). The decrease mainly results from the fact that during the financial year, a lower number of floors were completed as per expected project schedule and timeline, which in turn resulted in a lower execution of the deeds of sale.

Bond Issue
Pursuant to the prospectus published on the 4 March 2019, Mercury Projects Finance p.lc. (the "Issuer" and "MPFP"), the finance and investment vehicle of Mercury Towers Ltd. (the "Guarantor"), issued €11,500,000 3.75% secured bonds maturing in 2027 (Series I Bonds) and €11,000,000 secured bonds maturing in 2031 (Series II Bonds). Both series 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 Company, for the purpose of re-financing existing bank loans and for the construction and finishing of certain specific project elements at the Mercury site in St. Julian's, which project is owned by the Company.

On 22 March 2022, the Malta Financial Services Authority approved the issuance of €50,000,000 4.3% secured bonds to mature in 2032. This bond was issued at a nominal value of €100 per bond and was admitted to the official list of the Malta Stock Exchange with effect from the 26 April 2022 while trading on the bonds commenced on 27 April 2022.

In accordance with the provisions of the Prospectus dated 22 March 2022, the proceeds from this second bond issue will be advanced by way of another loan facility to the Company, which is also the Guarantor, for the purpose of construction and finishing of the hotel at the Mercury Tower Project and for general corporate funding.

Project Update

The Mercury House site consists of a plot of land originally measuring approximately seven thousand seven hundred and one square meters (7,701sqm). During the current year, the Company acquired the adjacent land measuring approximately one thousand nine hundred and forty six square meters (1,946sqm) on which the second phase of the project will be constructed. The permit had been obtained on 17 December 2020 and became executable on 22 April of the current financial year. The site is located at one of the main gateways into Paceville. Paceville is Malta's main entertainment area, known for its diverse nightlife, restaurants, casinos and luxurious 5-star tourist accommodation and residential complexes.

This property includes two Grade 2 buildings, namely Mercury House, a 19th Century villa constructed on two floors and a basement, and the underground cold war vaults. Both structures are in the process of being restored and rehabilitated and will form an integral part of the development of the site.

The vision for the project is to create a high-quality landmark development through a combination of residential, retail, parking, hotel and substantial public open space that will upgrade the amenity and contribute to the public realm of Paceville.

World renowned architect Dame Zaha Hadid had sketched this project herself, and was her last design before her untimely demise. Zaha Hadid Architects were thereafter entrusted with the design of the project. The approach provided by Zaha Hadid Architects is that of the provision of an iconic building to create a clear visual identity and sense of place for the site, thus bringing positive changes to the site and its surroundings.

Project Update ***(Contd.)***

Works on the development continued progressing within the constraints of the pandemic. The Group continued to sign new preliminary agreements, although only a few contracts were signed during the financial year under review as construction of the floors of the tower were completed during the previous year. Furthermore, second phase construction was still in its early stages, with the car park and the mall being constructed in shell, however the hotel and the serviced apartments within the peripheral block were still not completed. The Company's equity at the end of the year under review increased following the cash injection by the shareholder.

By the time of issue of these financial statements, the tower forming part of the Company's project was completed in shell form. Finishing of this tower is in its advanced stages and is expected to be completed by the end of 2022. Following the revised permit, this tower now consists of a 34-storey building above ground which twists on itself at levels 10, 11 and 12 and which was perhaps the most difficult engineering structure of the entire project.

The project has proceeded without any major interruptions during the most challenging months of the COVID-19 and is now entering the second stage which involves the finishing of the tower. The peripheral block, which forms part of the second phase of the development, is still under construction as described above.

To date, the funding of this project is mainly emanating from proceeds of units sold which stand at 94% of total units for sale after the approval of the additional floors for the tower and 65% of total units for sale for the peripheral block. Property to be retained by the Group is funded from the bonds issued by MPFP. Furthermore, the Company enjoys a number of bank relationships which provide bridge financing from time to time that supplement the funding from such bonds as and when required.

During the year under review the Company entered into a promise of sale agreement for the acquisition of 68% of Mercury Car Park Ltd. from Bersella Holdings Ltd., the company owning the car park under the first phase of the development. This strategic re-acquisition was concluded for a price of €9 million, thus increasing the shareholding of the Company in Mercury Car Park Ltd. to 93%.

Key Risks

The key risks associated with the Company, being a parent and an operating company, and also the guarantor in relation to the Bonds issued by the subsidiary, Mercury Projects Finance p.l.c., are those associated with the exposure to the 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 Group.

Although the development works of the Mercury Towers Project is progressing steadily, the Company is still subject to elements of financial risk factors, including the market, economic, counter-party, credit and liquidity risks, amongst others, that may affect project completion. Where possible, the director provides principles for the overall risk management as well as procedures to mitigate these risks in the most prudent way.

COVID-19

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

The director has assessed the effect of the COVID-19 on the Company's and the Group's operations and the directors noted that the Group has been able to continue operating through the prevalent market conditions without significant disruptions to date, although some increases in costs were noted, and more specifically on steel and aluminum. However, the Company has managed to fix and secure prices of the main supplies required, thus mitigating the risk of future increases in prices. Furthermore, though the future business environment may differ from management's assessment, the director believes that the impact of such position is not at present substantially affected by these risks, although during this period of uncertainty, the project encountered some setbacks due to impositions of certain conditions resulting from the Coronavirus pandemic. The delays experienced will not influence the overall financial viability of the project.

Russia – Ukraine Conflict

Conflicts between countries will always have a negative effect both economically and globally. The increased challenges brought about by this situation cannot be ignored. It is noted that there is no reliance on the region for supplies of construction materials and that the Group has, till now, not been impacted by sanctions on Russian nationals. The Group continues monitoring the situation as it evolves.

Results, Dividends and Reserves

The results for the year, the state of affairs and the movement in reserves and cash are as set out on pages 7, 8, 9 and 11. No dividends were recommended or paid during the year. No final dividends are being recommended to be declared.

Director

The director listed on page 4 served in office throughout the year. In accordance with the Company's Articles of Association, the director at date of this report is to remain in office.

The Company's secretary is Dr. Ian Stafrace.

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 sole director on 29 April 2022:

Mr. Joseph Portelli
Director

Statement of director's 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 and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

In preparing these financial statements, the director is required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable him 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 director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The director is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the sole director on 29 April 2022.

Mr. Joseph Portelli
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

	Note	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Revenue	4	**4,934,220**	19,836,010	**4,934,220**	19,836,010
Cost of sales		**(3,912,734)**	(12,863,063)	**(3,912,734)**	(12,863,063)
Gross profit		**1,021,486**	6,972,947	**1,021,486**	6,972,947
Other income	5	**-**	184,518	**-**	184,518
Administrative expenses	6	**(659,068)**	(581,873)	**(579,676)**	(501,449)
Selling expenses		**(73,255)**	(490,955)	**(73,255)**	(490,955)
Provision for expected credit losses		**25,246**	(16,090)	**25,246**	(15,670)
Operating profit/(loss)		**314,409**	6,068,547	**393,801**	6,149,391
Movement in revaluation of investment property		**(4,797,399)**	24,560,857	**(4,797,399)**	24,560,857
Finance costs	7	**(898,750)**	(898,750)	**-**	-
Profit/(loss) before tax		**(5,381,740)**	29,730,654	**(4,403,598)**	30,710,248
Tax expense	8	**(392,818)**	(4,825,482)	**(318,956)**	(4,751,229)
Profit/(loss) for the year		**(5,774,558)**	24,905,172	**(4,722,554)**	25,959,019
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Revaluation of property, plant and equipment		**6,656,765**	-	**6,656,765**	-
Related tax		**(532,541)**	-	**(532,541)**	-
Other comprehensive income for the year, net of tax		**6,124,224**	-	**6,124,224**	-
Total comprehensive income for year		**349,666**	24,905,172	**1,401,670**	25,959,019

The accompanying notes form an integral part of these consolidated financial statements.

MERCURY TOWERS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	€	€	€	€
Non-current assets					
Property, plant and equipment	9	**13,659,904**	11,660,593	**14,600,000**	12,600,689
Investment property	10	**58,414,693**	40,887,051	**60,540,833**	41,892,362
Investment in subsidiaries	11	**3,600**	-	**253,600**	250,000
Investment in associate	12	**1,500**	1,500	**1,500**	1,500
Restricted cash	15	**20,295**	20,682	**20,295**	20,682
		72,099,992	52,569,826	**75,416,228**	54,765,233
Current assets					
Inventories	13	**23,974,551**	8,918,687	**23,974,551**	8,918,687
Trade and other receivables	14	**16,155,187**	7,335,954	**16,152,117**	7,332,884
Taxation recoverable		**1,270**	1,270	**1,270**	1,270
Cash and cash equivalents	15	**814,134**	577,640	**781,407**	435,752
		40,945,142	16,833,551	**40,909,345**	16,688,593
Total assets		**113,045,134**	69,403,377	**116,325,573**	71,453,826
Equity					
Share capital	16	**10,500,000**	500,000	**10,500,000**	500,000
Revaluation reserve	16	**6,124,224**	-	**6,124,224**	-
Investment property reserve	16	**18,182,381**	22,595,988	**18,182,381**	22,595,988
Retained earnings/(losses)		**(159,937)**	1,201,014	**2,736,166**	3,045,113
Total equity/(deficiency)		**34,646,668**	24,297,002	**37,542,771**	26,141,101
Non-current liabilities					
Loan payable to subsidiary	17	**-**	-	**22,444,358**	22,444,358
Interest bearing borrowings	19	**28,908,076**	-	**28,908,076**	-
Bonds payable	18	**22,500,000**	22,500,000	**-**	-
Deferred tax liability	8	**3,806,359**	3,202,592	**3,806,359**	3,202,592
		55,214,435	25,702,592	**55,158,793**	25,646,950
Current liabilities					
Interest bearing borrowings	19	**9,588,946**	10,405,504	**9,588,946**	10,405,504
Trade and other payables	20	**13,530,377**	8,924,026	**14,035,063**	9,260,271
Taxation payable		**64,708**	74,253	**-**	-
		23,184,031	19,403,783	**23,624,009**	19,665,775
Total liabilities		**78,398,466**	45,106,375	**78,782,802**	45,312,725
Total equity and liabilities		**113,045,134**	69,403,377	**116,325,573**	71,453,826

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements set out on page 7 to 43 were approved and authorized for issue on 29 April 2022.

Mr. Joseph Portelli
Director

MERCURY TOWERS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Company

	Share capital €	Retained earnings/ (losses) €	Revaluation reserve €	Investment property reserve €	Total equity €
Balance as at 1 January 2021	**500,000**	**3,045,113**	**-**	**22,595,988**	**26,141,101**
Comprehensive income for the year					
Loss for the year	-	**(4,722,554)**	-	-	**(4,722,554)**
Other comprehensive income	-	-	**6,124,224**	-	**6,124,224**
Movement on reserves					
Transfer of revaluation of investment property	-	**4,797,399**	-	**(4,797,399)**	-
Transfer of deferred tax on revaluation	-	**(383,792)**	-	**383,792**	-
Contributions by owners of the company					
Issue of ordinary shares	**10,000,000**	-	-	-	**10,000,000**
Balance at 31 December 2021	**10,500,000**	**2,736,166**	**6,124,224**	**18,182,381**	**37,542,771**
Balance as at 1 January 2020	500,000	(317,918)	-	-	182,082
Comprehensive income for the year					
Profit for the year	-	25,959,019	-	-	25,959,019
Movement on reserves					
Transfer of revaluation of investment property	-	(24,560,857)	-	24,560,857	-
Transfer of deferred tax on revaluation	-	1,964,869		(1,964,869)	-
Balance at 31 December 2020	500,000	3,045,113	-	22,595,988	26,141,101

The accompanying notes form an integral part of these consolidated financial statements.

MERCURY TOWERS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Group

	Share capital €	Retained earnings / (losses) €	Revaluation reserve €	Investment property reserve €	Total equity €
Balance at 1 January 2021	**500,000**	**1,201,014**	**-**	**22,595,988**	**24,297,002**
Total comprehensive income for the year					
Loss for the year	-	**(5,774,558)**	**-**	-	**(5,774,558)**
Other comprehensive income	-	-	**6,124,224**	-	**6,124,224**
Movement on reserves					
Transfer of revaluation of investment property	-	**4,797,399**	-	**(4,797,399)**	-
Transfer of deferred tax on revaluation	-	**(383,792)**	-	**383,792**	-
Contributions by owners of the company					
Issue of ordinary shares	**10,000,000**	-	-	-	**10,000,000**
Balance at 31 December 2021	**10,500,000**	**(159,937)**	**6,124,224**	**18,182,381**	**34,646,668**
Balance at 1 January 2020 – Retained earnings pertaining to the parent company brought into the Group	500,000	(1,108,170)	-	-	(608,170)
Total comprehensive income for the year					
Profit for the year	-	24,905,172	-	-	24,905,172
Movement on reserves					
Transfer of revaluation of investment property	-	(24,560,857)	-	24,560,857	-
Transfer of deferred tax on revaluation	-	1,964,869	-	(1,964,869)	-
Balance at 31 December 2020	500,000	1,201,014	-	22,595,988	24,297,002

The accompanying notes form an integral part of these consolidated financial statements.

MERCURY TOWERS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash flows from operating activities				
Operating profit/(loss) for the year	**(5,774,558)**	24,905,172	**(4,722,554)**	25,959,019
Adjustments for:				
Revaluation of investment property	**4,797,399**	(24,560,857)	**4,797,399**	(24,560,857)
Tax expense	**392,818**	4,825,482	**318,956**	4,751,229
Net finance costs	**898,750**	898,750	**-**	-
Provision for expected credit losses	**(25,246)**	16,090	**(25,246)**	15,670
	289,163	6,084,637	**368,555**	6,165,061
Changes in:				
Inventory	**(15,055,864)**	9,103,919	**(15,055,864)**	9,103,919
Trade and other receivables	**(8,793,600)**	13,716,374	**(8,793,600)**	13,719,372
Trade and other payables	**4,505,551**	(20,792,877)	**4,673,993**	(20,583,415)
Contract liability	**100,800**	-	**100,800**	-
	(19,243,113)	2,027,416	**(19,074,671)**	2,239,876
Taxes paid	**(331,137)**	(1,449,703)	**(247,730)**	(1,405,314)
Net cash from/(used in) operating activities	**(19,285,087)**	6,662,350	**(18,953,846)**	6,999,623
Cash flows from investing activities				
Acquisition of property	**(17,667,587)**	(5,292,509)	**(18,788,417)**	(6,413,338)
Acquisition of Investments in Subsidiaries	**(3,600)**	-	**(3,600)**	-
Net cash used in investing activities	**(17,671,187)**	(5,292,509)	**(18,792,017)**	(6,413,338)
Cash flows from financing activities				
Issue of Share Capital	**10,000,000**	-	**10,000,000**	-
Net proceeds from borrowings	**38,497,022**	-	**38,497,022**	-
Repayment of bank borrowings	**(10,405,504)**	(160,427)	**(10,405,504)**	(160,427)
Interest paid on bonds	**(898,750)**	(898,750)	**-**	-
Net cash from/(used in) financing activities	**37,192,768**	(1,059,177)	**38,091,518**	(160,427)
Net movement in cash and cash equivalents	**236,494**	310,664	**345,655**	425,858
Cash and cash equivalents at 1 January	**577,640**	266,976	**435,752**	9,894
Cash and cash equivalents at 31 December	**814,134**	577,640	**781,407**	435,752

The accompanying notes form an integral part of these consolidated financial statements.

1. Reporting entity

Mercury Towers Ltd. (the "Company") is a limited liability company domiciled and incorporated in Malta. The address of the Company's registered office is J. Portelli Projects, 1400, Block 14, Portomaso, St. Julians STJ 4014, Malta.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiary, Mercury Projects Finance p.l.c., hereinafter referred to as the "Subsidiary" and collectively referred to as the "Group".

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. 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).

The Company, being the parent company of Mercury Projects Finance p.l.c. (see Note 11), prepares consolidated financial statements as required under IFRS 10 *Consolidated Financial Statements*.

2.2 Going concern basis

By the time of issue of these financial statements, phase 1 of the project was fully built in shell form, overcoming the most difficult engineering structure of the project. Whilst the funding of this project is partly emanating from proceeds of units sold, the director enjoys a number of bank relationships that supplement the funding from the bonds in issue. Theproject is now in the second stage of Phase 1, that involves the finishing of the building.

During the year under review, excavation works for Phase 2 of the project have commenced. Financing for this second phase of the project is also in place. By the time of issue of these financial statements, the Company has secured the required funding to finalise the project.

On 22 March 2022, the Malta Financial Services Authority approved the issuance of €50,000,000 4.3% secured bonds maturing in 2032. On 14 April 2022, the bond was fully subscribed and the proceeds from this bond issue will be advanced to the Company by way of another loan facility by the Subsidiary, Mercury Projects Finance P.l.c, With the loan from the new bond proceeds, the Company has secured the funding necessary for the completion of the Mercury Towers Project in line with the development permits held.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of investment property, which is stated at fair value.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Euro (€), which is the Group's functional currency.

2. Basis for preparation *(Contd.)*

2.5 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the note on ECL allowance for trade receivables under Note 21.3.

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.

The Company and the Group measure investment property at fair value.

2.7 New standards and interpretations

A number of amended standards became applicable for the current period and have been applied as necessary. The impact of the adoption of these revisions on the Company's accounting policies and on the financial results are insignificant.

Certain new standards, amendments and interpretations to existing standards have been published by the date of the authorisation for issue of these audited financial statements but are not mandatory for the Company's accounting period starting 1 January 2021. The Company may early adopt these revisions to the requirements of IFRSs as adopted by the EU. The Company's directors are of the opinion that there are no requirements that will have a significant impact on the financial statements in the period of initial application.

3. 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.

3.1 Basis of consolidation

The Group consolidates its financial statements based on the following:

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

From a stand-alone perspective, in the Company's separate financial statements, investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses.

3.1.2 Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

From a stand-alone perspective, in the Company's separate financial statements, the investment in associate is accounted for on the basis of the direct equity interest and is stated at cost less impairment losses, if any.

3.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity- accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies *(Contd.)*

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

3.3 Financial instruments

3.3.1 Recognition and initial measurement

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.3.2 Classification and subsequent measurement

3.3.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (Contd.)

3.3 Financial instruments *(Contd.)*

3.3.2 Classification and subsequent measurement (Contd.)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

— It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.3.2.2 Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
— how the performance of the portfolio is evaluated and reported to the Group's management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
— The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3.3.2.3 Financial assets – 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 considers 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.

3. Significant accounting policies *(Contd.)*

3.3 Financial instruments *(Contd.)*

3.3.2 Classification and subsequent measurement (Contd.)

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.3.2.4 Financial assets – Subsequent measurement and gains and losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group's financial assets comprise trade and other receivables and cash and cash equivalents.

3.3.2.5 Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group's financial liabilities comprise trade and other payables, borrowings and loans payable.

3. Significant accounting policies *(Contd.)*

3.3 Financial instruments *(Contd.)*

3.3.3 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax.

3.5 Property

Items of property, including property under construction are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write-off the cost of items of property less their estimated residual values using the straight-line method over their estimated useful lives of 50 years and is generally recognised in profit or loss. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

No depreciation is taken on property under construction and depreciation commences only when the asset is ready and available for use.

3. Significant accounting policies *(Contd.)*

3.6 Investment property

Investment properties are properties held to earn rentals and or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at open market value. Gains or losses arising from changes in the fair value of the investment properties are included in the comprehensive income in the period they arise.

Depreciation is calculated to write down the carrying amount of investment property using the straight-line method over its expected life of 50 years and is charged to profit or loss. Land is not depreciated. Depreciation on investment property under construction commences when the asset is ready and available for use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period in which the property is derecognised.

3.7 Inventories

3.7.1 Property held for resale

Inventories comprising property held for resale, are stated at the lower of cost and net realisable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred to bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

3.8 Impairment

3.8.1 Financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost, namely trade and other receivables and cash and cash equivalents.

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 (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. Significant accounting policies *(Contd.)*

3.8 Impairment *(Contd.)*

3.8.1 Financial assets (Contd.)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group 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.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB equivalent or higher rating as per the rating description of reputable credit rating agencies.

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.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. In the case of interest- free short-term financial assets, such as trade receivables, ECLs are not discounted.

Credit-impaired financial assets

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 the following observable data:

— significant financial difficulty of the borrower or issuer;
— a breach of contract such as a default or being more than 90 days past due;
— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
— it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for a security because of financial difficulties.

3. Significant accounting policies *(Contd.)*

3.8 Impairment *(Contd.)*

3.8.1 Financial assets (Contd.)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables and cash and cash equivalents are presented separately in the statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off on its financial assets based on whether there is a reasonable expectation of recovery and with reference to its historical experience of recoveries. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Employee benefits

Defined contribution plans

The Group contributes towards the state's defined contribution plan in accordance with local legislation. Such contributions are immediately recognised in profit or loss.

3. Significant accounting policies *(Contd.)*

3.9 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. The Group's revenue is primarily derived from the sale of apartments in airspace or shell form in Mercury Towers in St. Julians, Malta.

3.9.1 Performance obligations and revenue recognition policies

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including the related revenue recognition policies.

Revenue from the sale of airspace and shell apartments

The Group enters into contracts with customers to sell property that are either airspace, shell or apartments in finished form.

Satisfaction of performance obligation

The sale of apartments in airspace or shell form constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For contracts for sale of airspace and shell, this generally occurs when registration of the definitive deed takes place and the legal title is transferred to the customer. An apartment is completed in shell form when it is roofed, and it is deemed roofed when the architect issues an instalment certificate. If apartments are sold in a finished state, this would comprise a separate performance obligation.

Payments are received in instalments as per the terms and conditions of the promise of sale agreement. Any payments received in cash are recognised as deposits and are classified within trade and other payables. Upon the satisfaction of the performance obligation as per contract, revenue is realised and the deposits are reversed accordingly.

Other consideration related to the sale of property

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, there is no non-cash consideration or consideration payable to customers.

3.10 Operating profit/(loss)

Operating profit/(loss) is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities.

Operating profit/(loss) excludes net finance costs and income taxes.

3. Significant accounting policies *(Contd.)*

3.11 Finance income and finance costs

Finance income comprises interest income. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on bonds issued, borrowings and other payables, as set out in the notes to these financial statements. Finance costs are recognised as an expense in profit and loss in the period in which they are incurred.

3.12 Bond issue costs

Bond issue costs representing fees incurred in connection with the issuance of the bonds by the subsidiary company were recharged to the parent Company as the beneficiary of the funding. Accordingly, the intra-group recharge costs are eliminated in accordance with the basis of consolidation per Note 3.1.

Bond issue costs at Group level are deferred over the term of the bond and annually amortised using the effective interest method.

3.13 Income taxes

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

3.13.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

3.13.2 Deferred tax

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 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, and reflects uncertainty related to income taxes, if any.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

3. Significant accounting policies *(Contd.)*

3.13 Income taxes *(Contd.)*

3.13.2 Deferred tax *(Contd.)*

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences are considered, based on the business plans of the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

4. Revenue

4.1 Revenue streams

The Company and the Group mainly generate revenue through the sale of real estate properties.

	Group		**Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Sale of airspace property	**1,892,720**	15,299,707	**1,892,720**	15,299,707
Sale of shell apartments	**3,041,500**	4,536,303	**3,041,500**	4,536,303
	4,934,220	19,836,010	**4,934,220**	19,836,010

The revenue generated during 2021 is recognised at the point in time when control is transferred to the customer.

4.2 Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. During the year, Group contract assets amounted to nil.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Group satisfies the performance obligation per contract (i.e., transfers control of the related goods or services to the customer).

As at the reporting date, the Group held a contract liability amounting to € 236,880 (2020: €136,080), recognised within trade and other payables (see Note 20). The contract liability relates to the advance consideration received from customers for the finishing of three apartments, for which revenue will be recognised at a point in time when the apartments will be finished, which is expected to occur over the next year.

5. Other Income

Other income arises mainly from fees charged on cancellation of Promise of Sale agreements. Since this is not considered to be part of the main revenue generating activities, the Company and the Group presents this income separately from revenue.

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cancellation Fees	-	184,518	-	184,518
	-	184,518	-	184,518

6. Administrative expenses

6.1 The total audit fees (excluding VAT) charged to the Company and the Group by the auditors were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Remuneration of the Parent's auditor	**19,000**	19,000	**19,000**	19,000
Remuneration of the Subsidiary's auditor	**7,080**	7,080	-	-
Directors' fees	**45,000**	45,000	-	-

6.2 Personnel expenses incurred by the Company and the Group during the year are analysed as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Salaries	**117,663**	94,877	**117,663**	94,877
Social costs	**5,203**	4,563	**5,203**	4,428
Total	**122,866**	99,440	**122,866**	99,305

6.3 The weekly average number of persons employed by the Company and the Group during the year was as follows:

	Group		Company	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Administration	**2**	2	**2**	2

7. Finance costs

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Finance costs				
Interest on bonds	**(898,750)**	(898,750)	-	-
	(898,750)	(898,750)	-	-

8. Tax expense

8.1 Tax recognised in profit or loss

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current tax expense				
Final withholding tax at the rate of 5% or 8% on sale of property	**(247,730)**	(1,405,314)	**(247,730)**	(1,405,314)
Current tax – 35%	**(73,862)**	(74,253)	-	-
Deferred tax income				
Originating from temporary differences	**(8,836)**	5,474	**(8,836)**	5,474
Originating from Revaluation of Investment Property	**(594,931)**	(3,351,389)	**(594,931)**	(3,351,389)
Tax expense	**925,359**	(4,825,482)	**851,497**	(4,751,229)

8.2 Reconciliation of effective tax rate

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit / (loss) before tax	**(5,381,740)**	29,730,654	**(4,403,598)**	30,710,248
Tax using the domestic tax rate of 35%	**1,883,609**	(10,405,729)	**1,541,259**	(10,748,587)
Tax effect of:				
Non-taxable income	**8,838**	8,660,881	**8,838**	8,660,881
Non-deductible expenses	**(3,331,956)**	(4,895,200)	**(3,308,033)**	(4,870,380)
Different tax rates	**1,510,206**	5,499,077	**1,510,206**	5,499,077
Deferred tax element unrecognized	**(392,289)**	(403,177)	-	(10,886)
Absorbed trading losses	-	64,581	-	64,581
Tax expense	**(321,592)**	(1,479,567)	**(247,732)**	(1,405,314)

8. Tax expense *(Contd.)*

8.3 Recognised deferred tax assets

Deferred tax assets are attributable to the following for the Company and the Group:

	Balance at 1 January 2021 €	**Recognised in profit or loss €**	**Balance at 31 December 2021 €**
Loss allowance on financial assets	**148,797**	**(8,836)**	**139,961**
Revaluation of Investment Property	**(3,351,389)**	**(594,931)**	**(3,946,320)**
	(3,202,592)	**(603,767)**	**(3,806,359)**

	Balance at 1 January 2020 €	Recognised in profit or loss €	Balance at 31 December 2020 €
Loss allowance on financial assets	143,323	5,474	148,797
Revaluation of Investment Property	-	(3,351,389)	(3,351,389)
	143,323	(3,345,915)	(3,202,592)

9. Property, plant and equipment

9.1 The Company's property was as follows:

	Land €	**Assets in the course of construction €**	**Total €**
Balance at 1 January 2021	**1,292,702**	**11,307,987**	**12,600,689**
Additions	**6,035,621**	**-**	**6,035,621**
Reclassified to inventories	**-**	**(10,693,075)**	**(10,693,075)**
Revaluation	**6,656,765**	**-**	**6,656,765**
Balance at 31 December 2021	**13,985,088**	**614,912**	**14,600,000**
Balance at 1 January 2020	8,408,375	14,709,887	23,118,262
Additions	-	6,413,337	6,413,337
Reclassified to investment property	(7,115,673)	(9,815,237)	(16,930,910)
Balance at 31 December 2020	1,292,702	11,307,987	12,600,689
Carrying amounts			
At 31 December 2020	1,292,702	11,307,987	12,600,689
At 31 December 2021	**13,985,088**	**614,912**	**14,600,000**

9. Property, plant and equipment *(Contd.)*

9.2 The property relates to airspaces which will be retained by the Company to be used in the supply of accommodation and hospitality services.

9.3 During 2020, the Company changed its intention over the hotel and commercial property element and decided to operate such elements itself. As a result, such property element has been reclassified from investment property to property, plant and equipment.

During 2021, the Group embarked on a reorganization exercise, following which, the airspace was valued at €14,600,000 by an external independent qualified valuer on 15 February 2022. The airspace duly covered by building permits for construction and development, was transferred to the wholly owned newly incorporated subsidiary, Mercury Hotel Ltd. at the revalued amount of €14,600,000 on 12 March 2022. The cost of the airspace transferred was €7,943,235. The construction and development of the planned project will be undertaken by Mercury Hotel Ltd. commencing in 2022. As at 31 December 2021, the property was still under construction and hence was not yet available for use. As a result, the property has not been depreciated during the current year.

9.4 Included within property are capitalised borrowing costs related to the acquisition of the land and the assets in the course of construction of €82,372 (2020: €309,888), and which are calculated using a capitalisation rate of 6% and €nil (2020: €1,120,829), calculated using capitalised rates emanating from the Company's loan with its Subsidiary. As a result, accumulated capitalised borrowing costs amounting to € 940,096 are eliminated from the property value upon consolidation, in accordance with Note 3.1. As a result, the property balance at Group level amounted to €13,659,904 (2020: €11,660,593) as at year-end.

9.5 Property owned by the Group is subject to special hypothecs in favour of creditors for funds borrowed (see Notes 18 and 19).

10. Investment property

10.1 The Company's and the Group's investment property were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Balance at 1 January	**40,887,051**	400,594	**41,892,362**	400,594
Additions	**130,141**	-	**1,250,970**	-
Reclassification from property	**-**	15,925,599	**-**	16,930,910
Reclassification to inventories	**(2,365,958)**	-	**(2,365,958)**	-
Revaluation	**24,560,858**	24,560,858	**24,560,858**	24,560,858
Eliminated of revaluation of property reclassified as inventories	**(4,797,399)**	-	**(4,797,399)**	-
Balance at 31 December	**58,414,693**	40,887,051	**60,540,833**	41,892,362

10. Investment property *(Contd.)*

10.2 Included within investment property are capitalised borrowing costs related to the acquisition of the land and the assets in the course of construction of €432,670 (2020: €309,888), calculated using a capitalisation rate of 4.75% and €1,120,829 (2020: €1,120,829), calculated using capitalised rates emanating from the Company's loan with its subsidiary. As a result, accumulated capitalised borrowing costs amounting to €2,126,140 that relate directly to investment property are eliminated from the property value upon consolidation, in accordance with Note 3.1. As a result, the property balance at Group level amounted to €58,414,693 as at year-end after also taking into consideration the revaluation which was carried out during the year.

10.3 The Group's investment property comprised property at level 31 together with all the areas making up the commercial mall. Since the investment property is not yet available for use, it was not depreciated during the current year.

Land and buildings classified as investment property as on 31 December 2021 were revalued by external independent qualified valuers, namely DHI Periti in April 2021. The external independent valuers have a recognised and relevant professional qualification and have experience in the location and category of the property being valued.

The valuation of the investment property is based upon its market value under the highest and best use premise, taking into consideration its location, use, size and accessibility together with existing planning constraints. 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 prices (unadjusted) in active markets for identical assets and liabilities.
— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The significant unobservable input impacting this valuation relates to the market value per square meter. The estimated fair value would increase/(decrease) depending on the market prices of similar property and the general economic trend of the country.

10.4 Investment property owned by the Company is subject to special hypothecs in favour of creditors for funds borrowed (see Notes 18 and 19).

10.5 During the year, the Company changed its intention over the hotel and commercial property element and decided to operate such elements itself. As a result, such property element has been reclassified from investment property to property account (see Note 9.3).

During the year, the Company also changed its intention over the property at Level 30 which was previously included in investment property and decided that these are put out for sale. As a result, such property has been reclassified from investment property to inventories. The revaluation element on the reclassified property was reversed in the income statement for the year. Reclassification has been affected on a prospective basis.

11. Investment in subsidiaries

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Investment at cost	**3,600**	-	**253,600**	250,000
	3,600	-	**253,600**	250,000

11.1 During 2019, the Company took ownership of 99.99% of the shares of Mercury Projects Finance p.l.c., a company incorporated in Malta. Accordingly, as part of these consolidated financial statements preparation, the above-mentioned subsidiary has been subject to a consolidation accounting exercise in accordance with the accounting policy disclosed in Note 3.1, with effect from 16 January 2019, being the date of incorporation of the subsidiary. Therefore, the investment at cost at Group level is nil as it has been eliminated upon consolidation per Note 3.1.

11.2 Following a reorganization exercise in December 2021, the Company incorporated with full ownership of shares the following subsidiaries:

	Ownership		Country
	2021	2020	
Mercury Hotel Ltd.	**100%**	-	**Malta**
Mercury Commercial Mall Ltd.	**100%**	-	**Malta**
Mercury Car Park II Ltd.	**100%**	-	**Malta**

These subsidiaries were all incorporated in December 2021 and as at consolidation date no trading activity had commenced. These subsidiaries, which are not material, were therefore not taken into consideration for consolidation purposes as at 31 December 2021.

12. Investment in associate

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Investment at cost	**1,500**	1,500	**1,500**	1,500
	1,500	1,500	**1,500**	1,500

12.1 At reporting date, the Company held the following investment in associate:

	Ownership		Country
	2021	2020	
Mercury Car Park Ltd.	**25%**	25%	**Malta**

12. Investment in associate *(Contd.)*

12.2 Accordingly, as part of the consolidated financial statements preparation, the above-mentioned associate has been subject to equity-accounting exercise in accordance with accounting policy disclosed in Note 3.1. Mercury Car Park Ltd. (the "Associate") has not been in operation as at year-end.

12.3 As at year end, the value of the investment in the associate based on the equity-accounting method amounted to €25,563 (2020: €29,343).

12.4 During the year under review, the Company also entered into a promise of sale agreement for the acquisition of 68% of Mercury Car Park Ltd. from Bersella Holdings Ltd., the company owning the car park under the first phase of the development. This strategic re-acquisition was concluded for a price of €9 million, thus increasing the shareholding stake of the Company in Mercury Car Park Ltd. to 93%.

13. Inventories

13.1 The Company's and the Group's inventory were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Phase 1 - Cost of land and direct expenses	**88,970**	926,215	**88,970**	926,215
Phase 1 – cost of construction and development	**9,918,691**	4,742,712	**9,918,691**	4,742,712
Phase 2 - Cost of land and direct expenses	**10,344,436**	-	**10,344,436**	-
Phase 2 – cost of construction and development	**3,622,454**	-	**3,622,454**	-
Phase 2 – work in progress	-	3,249,760	-	3,249,760
	23,974,551	8,918,687	**23,974,551**	8,918,687

13.2 Included within inventories are capitalised borrowing costs related to the acquisition of the land of €465,076 (2020: €143,607), calculated using a capitalisation rate of 6% and 4.75%.

13.3 Inventories owned by the Company are subject to special hypothecs in favour of creditors for funds borrowed (see Notes 18 and 19).

14. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Trade receivables	**217,490**	198,867	**217,490**	198,867
Amounts receivable from related parties	**1,055,264**	2,023,384	**1,055,264**	2,023,384
Advances and other repayments to related contractor	**14,179,911**	4,167,663	**14,179,911**	4,167,663
Deposit held as guarantee	**233,235**	232,738	**233,235**	232,738
Other receivables	**469,287**	713,302	**466,217**	710,232
	16,155,187	7,335,954	**16,152,117**	7,332,884

14.1 The Company's and the Group's exposure to credit risk related to trade and other receivables is disclosed in Note 21.3. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experienced within this period. The historical loss rates were analysed for the past five years. History shows that the Company and the Group rarely suffered credit losses. The Company and the Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's and the Group's history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

14.2 No provision for Expected Credit Losses on trade receivables was necessary during the year as trade receivables represent balances due by customers on the sale of property which shall fall due on completion.

14.3 The Group measures the ECL of receivables from related entities based on an internally generated Altman Z-score rating, which includes but is not limited to reviews of country rating and other public and non-public available information. Based on this information, the rating can be subjected to post-model adjustment by a maximum of two notches. These internally generated rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade and other receivables.

14.4 Amounts receivable from related parties and deposits held as guarantee as stated net of provisions for expected credit losses amounting to €399,888 (2020: €425,134). Movement in provision for expected credit losses during the period amounted to €25,246 which amount was charged to profit and loss account.

14. 5 Amounts due from related parties are interest free, unsecured and repayable on demand.

14.6 As at 31 December 2021, advances and other prepayments include advance payments made by the Company to a related company, Mercury Contracting Projects Ltd., (hereinafter "MCPL") for contracting works which MCPL will be delivering to the Company in the foreseeable future.

14.7 As at 31 December 2021, other receivables included deferred consultancy fees of €440,155 (2020: €456,213) recharged by the Subsidiary in connection with the bond issue (see Note 18).

15. Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank balances	**814,134**	577,640	**781,407**	435,752
Restricted cash	**20,295**	20,682	**20,295**	20,682
Cash and cash equivalents in the statement of financial position	**834,429**	598,322	**801,702**	456,434
Restricted cash	**(20,295)**	(20,682)	**(20,295)**	(20,682)
Cash and cash equivalents in the statement of cash flows	**814,134**	577,640	**781,407**	435,752

16. Capital and reserves

16.1 Share capital

	Group		Company	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
In issue at 31 December				
- Fully paid	**10,500,000**	500,000	**10,500,000**	500,000
	10,500,000	500,000	**10,500,000**	500,000

At 31 December 2021, the authorised share capital comprised 20,500,000 (2020: 500,000) ordinary shares having a par value of €1 each.

An increase in the issued share capital of the Company was registered during 2021. This increase amounting to €10,000,000 and was affected through a cash injection.

The holders of 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.

16.2 Reserves

16.2.1 Revaluation Reserve

This reserve represents the movement between the cost of property classified under property, plant and equipment and their fair values as revalued by an architect, net of deferred taxation. Movements on revaluation are recognised directly under other comprehensive income.

16.2.2 Investment Property Reserve

This reserve represents transfers out of retained earnings equivalent to the movement between the cost of investment properties and their fair values as revalued by an architect, net of deferred taxation.

17. Loan payable to subsidiary

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Loan I advanced by subsidiary company	-	-	**11,500,000**	11,500,000
Loan II advanced by subsidiary company	-	-	**10,944,358**	10,944,358
	-	-	**22,444,358**	22,444,358

17.1 Loan I payable to the Subsidiary of €11,500,000 is subject to an annual interest rate of 4.75% and is repayable by 2027, whilst loan II 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 immoveable property of the Company. The interest-bearing loan balances include costs amounting to €408,468 (2020: €408,468) incurred by the Subsidiary in connection with the bond issues and recharged to the Company, in view that the said costs being exclusively incurred to finance the operations of the Company itself.

Upon consolidation, this intra-group balance is eliminated in accordance with accounting policy per Note 3.1, leading to a Group balance of nil as at year-end.

18. Bonds payable

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current:				
3.75% Series I Bonds 2027	**11,500,000**	11,500,000	-	-
4.25% Series II Bonds 2031	**11,000,000**	11,000,000	-	-
	22,500,000	22,500,000	-	-

18.1 Mercury Projects Finance p.l.c., the Subsidiary, has issued a two-series bond during 2019. The bonds comprise Series I, which amounts to €11,500,000 repayable at a coupon rate of 3.75% p.a. and matures in 2027; and Series II, which amounts to €11,000,000 repayable at a coupon rate of 4.25% p.a. and matures in 2031. The Company acts as a guarantor for both bond series.

18.2 The bonds are secured by a first general hypothec on a number of specific areas within the Mercury Tower Project managed by the Company, for an amount of €24,310,965.

19. Interest Bearing Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-Current:				
Bank Loan I	**15,608,076**	-	**15,608,076**	-
Bank Loan II	**13,300,000**	-	**13,300,000**	-
	28,908,076	-	**28,908,076**	-
Current:				
Bank loan III	-	10,405,504	-	10,405,504
Bank loan IV	**9,588,946**	-	**9,588,946**	-
	9,588,946	10,405,504	**9,588,946**	10,405,504
Total Interest Bearing Borrowings:	**38,497,022**	10,405,504	**38,497,022**	10,405,504

19.1 As per sanction letter dated 5 August 2021, the Company obtained new bank loans to finance the development of the Mercury Towers Project. The bank loans are secured by a special hypothec and a special privilege on the Company's immoveable property, a general hypothec on the Company's assets, and general hypothecary guarantees over assets of the shareholder and a number of his entities, other guarantees given to the bank and other contractual undertakings.

The bank loans are subject to interest rates of between 4.75% and 6% per annum and repayable:

(i) Loan I amounting to €15,608,076 (2020: €nil) is repayable by August 2038 by monthly installments of €130,467 commencing after a moratorium period of 2 years.
(ii) Loan II amounting to €13,300,000 (2020: €nil) is repayable by August 2038 by monthly installments of €103,904 commencing after a moratorium period of 2 years.
(iii) Loan III amounting to €nil (2020: €10,405,504) is repayable by 31 December 2022, which was taken over by Bank Loan IV amounting to €9,588,946 and is to be fully repaid by 31 December 2023.

20. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Trade payables	**1,021,282**	1,198,896	**1,017,080**	1,189,267
Amounts due to related parties	-	-	**308,491**	144,394
Deposits received on Promise of Sale	**10,802,052**	6,856,343	**10,802,052**	6,856,343
Contract liability	**236,880**	136,080	**236,880**	136,080
Accrued expenses	**928,009**	732,707	**1,128,411**	934,187
Other Payables	**542,154**	-	**542,149**	-
	13,530,377	8,924,026	**14,035,063**	9,260,271

20.1 Trade payables include a balance of €nil (2020: 267,834), comprising a liability in relation to cancellations of promise of sales and includes all respective costs as explained further in these financial statements.

20. Trade and other payables *(Contd.)*

20.2 Amounts due to related parties are interest free, unsecured and repayable on demand.

20.3 The contract liability comprises an advanced consideration received from customers for the finishing of three apartments, for which revenue will be recognised at the point in time when the apartments are finished (see Note 4.2).

21. Financial risk management

21.1 Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

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

21.2 Risk management framework

The director has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

21.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents.

The carrying amounts of financial assets represent the maximum credit exposure. The Company's and the Group's exposure to credit risk are analysed as follows:

	Gross carrying amount			
	Group		**Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Trade and other receivables	**1,975,276**	3,168,291	**1,972,206**	3,165,221
Cash and cash equivalents	**814,134**	577,640	**781,407**	435,752
	2,789,410	3,745,931	**2,753,613**	3,600,973

21. Financial risk management *(Contd.)*

21.3 Credit risk *(Contd.)*

Expected credit losses on financial assets recognised in profit or loss were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Expected credit losses on trade and other receivables	**(25,246)**	16,090	**(25,246)**	15,670
	(25,246)	16,090	**(25,246)**	15,670

The Company's and the Group's credit risk on trade and other receivables arises from amounts receivable from related parties and a bank guarantee pledged in favour of third parties.

Expected credit loss assessment for amounts receivable from related parties

As at 31 December 2021, the gross carrying amount on the amounts receivable from related parties amounts to €1,455,000 (2020: €2,448,255). The Group measures the ECL of receivables from related entities based on an internally generated Altman Z-score rating, which includes but is not limited to reviews of country rating and other public and non-public available information. Based on this information, the rating can be subjected to post-model adjustment by a maximum of two notches. These internally generated rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade and other receivables.

The following table provides information about the Group's exposure to credit risk and loss allowance for amounts receivable from related parties as at 31 December 2021.

	Equivalent to external credit rating (S&P's)	Gross carrying amount €	Loss allowance €
Mercury Car Park Ltd.	CCC/C	**905,264**	-
Mercury Exchange Ltd.	B	-	-
		905,264	-

The following table provides information about the Group's exposure to credit risk and loss allowance for amounts receivable from related parties as at 31 December 2020.

	Equivalent to external credit rating (S&P's)	Gross carrying amount €	Loss allowance €
Mercury Car Park Ltd.	CCC/C	922,784	17,520
Mercury Exchange Ltd.	B	1,115,986	(1,936)
		2,038,770	15,584

21. Financial risk management *(Contd.)*

21.3 Credit risk *(Contd.)*

Expected credit loss assessment for bank guarantee pledged in favour of third parties

The Group's bank guarantees pledged in favour of third parties represent a bank guarantee pledged in favour of the relevant authority in connection with the construction project being undertaken by the Group. The guarantee shall be released to the Group after completion of the development and upon confirmation that the conditions imposed by the relevant authority have been duly observed by the Group.

The Group considers that the deposit pledged as a bank guarantee has a low credit risk based on the external credit ratings of the counterparty, a credit institution which is rated BBB- based on Standard and Poor's ratings.

The following table provides information about the Group's exposure to credit risk and loss allowance for the bank guarantee as at 31 December 2021.

	€
External credit rating	
BBB – Gross carrying amount	**233,387**
	233,387
Loss allowance	**(152)**
Carrying amount	**233,235**

The following table provides information about the Group's exposure to credit risk and loss allowance for the bank guarantee as at 31 December 2020.

	€
External credit rating	
BBB – Gross carrying amount	253,600
	253,600
Loss allowance	(262)
Carrying amount	253,338

21.3.1 Cash and cash equivalents

The Group held cash and cash equivalents of €814,134 as at 31 December 2021 (Company's 2020: €577,640). The cash and cash equivalents are held with credit institutions, which are rated BBB- based on Standard and Poor's ratings.

The first €100,000 out of the year-end balance held by the Group is not exposed to credit risk as it is protected under the depositor compensation scheme, based on the EU Directive 2014/49/EU on deposits guarantee schemes. An impairment assessment on the remaining balance held by the Group of €714,134 (2020: €477,640) has been measured on a 12-month expected loss basis, reflecting the short maturity of the exposure. The Group considers that this remaining balance of cash and cash equivalents has lowcredit risk based on the external credit ratings of the counterparties.

Based on the above, the amount of impairment allowance on cash and cash equivalents at 31 December 2021 is €nil (2020: €nil).

21. Financial risk management *(Contd.)*

21.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations in respect of its financial liabilities that are settled by delivering cash or another financial asset.

21.4.1 Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

21.4.2 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the availability of liquid funds to meet repayment obligations when these falls due.

From a parent Company stand-alone perspective, the following are the contractual maturities of the Company's financial liabilities:

		Contractual Cash Flows		
	Carrying amount €	Total €	Less than 12 months €	From 1 – 10 years €
31 December 2021				
Non-derivative financial liabilities				
Trade and other payables	**13,798,183**	**13,798,183**	**13,798,183**	**-**
Borrowings	**38,497,022**	**53,984,192**	**1,828,608**	**52,155,584**
Loan from subsidiary	**22,444,358**	**33,240,435**	**1,120,829**	**32,119,606**
	74,739,563	**101,022,810**	**16,747,620**	**84,275,190**
31 December 2020				
Non-derivative financial liabilities				
Trade and other payables	9,124,191	9,124,191	9,124,191	-
Borrowings	10,405,504	11,029,834	11,029,834	-
Loan from subsidiary	22,444,358	34,361,264	1,120,829	33,240,435
	41,974,053	54,515,289	21,274,854	33,240,435

21. Financial risk management *(Contd.)*

21.4 Liquidity risk *(Contd.)*

From a Group perspective, the following are the contractual maturities of the financial liabilities:

		Contractual Cash Flows			
	Carrying amount €	**Total €**	**Less than 12 months €**	**From 1 – 5 years €**	**More than 5 years €**
31 December 2021					
Non-derivative financial liabilities					
Bond payable	**22,500,000**	**28,863,750**	**898,750**	**2,696,250**	**25,268,750**
Trade and other payables	**13,293,497**	**13,293,497**	**13,293,497**	**-**	**-**
Interest bearing borrowings	**38,497,022**	**53,984,192**	**1,828,608**	**27,101,169**	**25,054,415**
	74,290,519	**96,141,439**	**16,020,855**	**29,797,419**	**50,323,165**
31 December 2020					
Non-derivative financial liabilities					
Bond payable	22,500,000	30,661,250	898,750	3,595,000	26,167,500
Trade and other payables	8,787,946	8,787,946	8,787,946	-	-
Interest bearing borrowings	10,405,504	11,029,834	11,029,834	-	-
	41,693,450	50,479,030	20,716,530	3,595,000	26,167,500

Trade and other payables include deposits on promise of sale agreements entered into with customers which will materialise into revenue upon signature of deed of sales.

Interest on loans to the Subsidiary amounting to €1.12 million was paid by the 29 March 2021 as per the prospectus dated 4 March 2019.

21.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

21.5.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position.

The Group's interest-bearing financial assets comprise cash at bank and the Group's interest- bearing financial liabilities comprises borrowings, loan payable to a subsidiary and other payable. The Group's interest-bearing financial liabilities are entered into at a fixed-rate. Thus, a 100 basis points increase or decrease in interest rates as at reporting date would not have a significant impact on the Group's profit or loss and equity as only the cash at bank is subject to a variable interest rate.

21. Financial risk management *(Contd.)*

21.5 Market risk *(Contd.)*

21.5.2 Interest rate risk (Contd.)

At the reporting date the interest rate profile of the Company and the Group fixed and variable interest-bearing financial instruments were as follows:

At the reporting date the interest rate profile of the Group and the Company's fixed and variable interest-bearing financial instruments were as follows:

	Gross carrying amount			
	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Fixed-rate instruments				
Bonds payable	**(22,500,000)**	(22,500,000)	**-**	-
Bank borrowings	**38,497,022**	(10,405,504)	**38,497,022**	(10,405,504)
Loans payable to subsidiary	**-**	-	**22,444,358**	22,444,358
Variable-rate instruments				
Cash at bank	**814,134**	577,640	**781,407**	435,752

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased the Group equity and profit or loss by € 8,141 (2020: €5,776). A decrease of 100 basis points in interest rates would have had the equal but opposite effect on equity and profit or loss. This analysis assumes that all other variables remain constant.

21.5.3 Fair values versus carrying amounts

The carrying amount of financial assets and liabilities that are measured at amortised cost approximates the fair value at the reporting date. The director believes that the Group's own credit risk and that of its borrowers has not changed in a way that would impact significantly the fair value of these financial assets and liabilities. All financial assets and liabilities are short term in nature.

21.5.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At reporting date, the Group was not exposed to any significant currency risk.

21. Financial risk management *(Contd.)*

21.6 Capital management

The Group's policy is to maintain a strong capital base so as to sustain the future development of the business. The Director monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group is not subject to externally imposed capital requirements. More specifically, the Group's net deficiency in equity arises from the reversal at consolidation level of the accumulated capitalised interest at the component level amounting to €3,066,236, of which €1,120,829 represent interest for the year. Whilst large development projects of this type are forecast to start returning positive results after completion of development, the performance of the Group to date has been substantially as planned.

22. Related parties

22.1 Ultimate controlling party

The Group is fully owned by Mr. Joseph Portelli, who is the ultimate controlling party.

22.2 Identity of related parties

The Group has a related party relationship with its subsidiaries and entities controlled by the same director of the Group ("other related parties").

22.3 Related party balances

Information on amounts due to/by related parties are set out in Notes 14, 17 and 20 to these financial statements.

22.4 Related party transactions carried out by the Group during the year

	2021	2020
	€	€
Net receivable/(payable) from/(to) related parties		
Funds forwarded to related parties	**28,873,721**	1,073,697
Cost of construction – property	**(9,508,646)**	(5,456,821)
Cost of construction - inventories	**(924,827)**	(1,546,411)
Financing transactions		
Funds collected on behalf of related parties	**(223,841)**	(4,991,821)
Expenses paid on behalf of related parties	**100**	20,118
Interest	**(1,120,829)**	-

23. Commitments

23.1 As at 31 December 2021, the Company accounted for costs amounting to €48,720,610 (2020: €29,528,171) on investment property and property (both under construction), and €23,974,551 (2020: €8,922,115) on inventory (net of inventory sold as at year-end) which is also under construction. Both are part of the landmark project being built by the Company. The Company currently expects to incur further costs on contracting works amounting to €79.3 million (2020: €21.3 million) in relation to investment property and a further €27.1 million (2020: €9.1 million) in relation to inventory under construction. These committed capital costs are based on budgets as at the reporting date and will fluctuate depending on actual costs incurred.

24. IFRS as adopted by the EU

The Company and the Group accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2021.

25. COVID-19

The outbreak of the COVID-19 pandemic, has adversely impacted global and local commercial activities. The rapid development and fluidity of this situation precludes any prediction of its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global and local economic slowdown.

The director has assessed the effects of COVID-19 on the Company's and the Group's operations and notes that to date, the Group has continued to operate normally, even during the more challenging months of the pandemic. Although certain elements of construction were impacted, at this point in time, given the continuous lifting of the COVID-19 related restrictions, the director is confident that the Company and the Group can continue to manage the situation.

The director has assessed the effect of the COVID-19 on the Company's and the Group's operations and the director noted that the Group has been able to continue operating through the prevalent market conditions without significant disruptions to date, although some increases in costs were noted, and more specifically on steel and aluminum. However, the Company has managed to fix and secure prices of the main supplies required, thus mitigating the risk of future increases in prices. Furthermore, though the future business environment may differ from management's assessment, the director believe that the impact of such position is not at present substantially affected by these risks, although during this period of uncertainty, the project encountered some setbacks due to impositions of certain conditions resulting from the Coronavirus pandemic. The delays experienced will not influence the overall financial viability of the project.

26. Subsequent events

26.1 Transfer of property on group restructuring

Following a Group restructuring exercise which took place in December 2021, the airspace held by the Company under property, plant and equipment was valued by an external independent qualified valuer on 15 February 2022 at a value of €14,600,000. The airspace, duly covered by building permits for construction and development, was transferred to the wholly owned newly incorporated subsidiary, Mercury Hotel Ltd. at the value of €14,600,000 on 12 March 2022.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MERCURY TOWERS LTD.

Report on the Audit of the Financial Statements
We have audited the individual financial statements of Mercury Towers Ltd. (the "Company") and the consolidated financial statements of the Company and its subsidiary (together, the "Group") set out on pages 7 to 43, which comprise the statement of financial position of the Company and the Group as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company and the Group 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta).

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.

Other Information
The director is responsible for the other information. The other information comprises the director's 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 director's report includes the disclosures required by Article 177 of the Companies Act (Cap. 386).

Based on the work performed, in our opinion:

- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the director's 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 the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the director's report and other information. We have nothing to report in this regard.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MERCURY TOWERS LTD.

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 of the Company and the Group 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 and the Group'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 and the Group's financial reporting.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the Group 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:

- Identify and assess the risks of material misstatement of the consolidated 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 and Group'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 consolidated 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 and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MERCURY TOWERS LTD.

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

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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:

- Adequate accounting records have not been kept;

- The financial statements are not in agreement with the accounting records;

- 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

29 April 2022