MERCURY TOWERS
by Zaha Hadid Architects

# MERCURY PROJECTS FINANCE p.l.c.

Mercury Towers, J Portelli Offices, Triq San Gorg, San Giljan STJ 3202, Malta
Co. Reg. No. C89117

## COMPANY ANNOUNCEMENT

### Audited Consolidated Financial Statements for 2024

The Board of Directors of Mercury Towers Ltd. (the "Guarantor") approved the Audited Consolidated Financial Statements for the financial year ended 31st December 2024.

Copies of the above-mentioned Audited Financial Statements for the financial year ended 31st December 2024, as approved, are attached to this Company Announcement and are also available for viewing at the registered office of the Issuer, Mercury Projects Finance p.l.c. (the "Company") and on the Company's website: Mercury Towers by Zaha Hadid Architects.

### Variances from projections

It is being announced that the Audited Consolidated Financial Statements contain variances from figures projected in the Financial Analysis Summary which was published in June, as follows:

**Total Comprehensive Income**

- The tax effect of deferred tax charge on tax incentives which was not accounted for;
- Decreases in property sales and respective cost of sales since ownership of a small number of units will be transferred in 2025;
- Decreases in operational revenue due to delays in opening of hotel;
- Depreciation and finance costs were lower since investment property and property, plant and equipment was not all in operation.

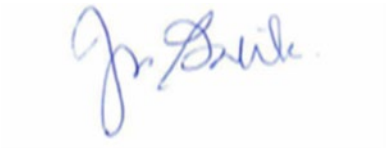
**Total Current Assets**

- The Group still retained inventories since not all units were sold by the year end;
- Included in receivables are amounts due from tenants relating to finishes of property;
- Amounts receivable from associates and related parties were projected to be repaid during current year

**Total Equity**

- The funds earmarked for capitalisation during 2024 were received in January of the year 2025;
- Retained earnings decreased for the reasons explained above.

By order of the Board



Joseph Saliba

Company Secretary

30th April 2025

# MERCURY TOWERS LTD.

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2024

Company Reg. No: C77402

# GENERAL INFORMATION
# 31 DECEMBER 2024


| | Page |
|---|---|
| **Annual Report:** | |
| General Information | 1 |
| Directors' Report | 2 |
| **Financial Statements:** | |
| Consolidated Statements of Comprehensive Income | 8 |
| Consolidated Statements of Financial Position | 9 |
| Consolidated Statements of Changes in Equity | 11 |
| Consolidated Statements of Cash Flows | 13 |
| Notes to the Consolidated Financial Statements | 14 |
| **Independent Auditors' Report** | 51 |

# GENERAL INFORMATION
# 31 DECEMBER 2024

**Board of Directors:**

Mr. Joseph Portelli
Ms. Chloe Portelli (appointed on 14 June 2024)
Mr. Tristen Portelli (appointed on 14 June 2024)

**Company Secretary:**

Dr. Ian Stafrace

**Registered Office:**

Mercury Towers
J. Portelli Offices
Triq San Gorg
San Giljan STJ 3202
Malta

**Bankers:**

Bank of Valletta plc
102, Republic Street
Victoria VCT1017
Gozo

Lombard Bank plc
67, Merchants Street
Valletta
Malta

**Legal Advisor:**

Saliba Stafrace Legal
9/4, Britannia House
Old Bakery Street
Valletta VLT1450
Malta

**Auditors:**

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

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2024

**Board of Directors**

Mr. Joseph Portelli
Ms. Chloe Portelli (appointed on 14 June 2024)
Mr. Tristen Portelli (appointed on 14 June 2024)

The directors present herewith their annual report together with the audited financial statements of Mercury Towers Ltd. (the "Company" and the "Group", separate and consolidated respectively) for the year ended 31 December 2024. The directors have 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.

**The Group**

The Group comprises Mercury Towers Ltd. (the "Company") and its wholly owned subsidiaries, namely Mercury Projects Finance P.l.c. ("MPFP"), Mercury Hotel Ltd. ("MHL"), Mercury Commercial Mall Ltd. ("MCML") and Mercury Car Park II Ltd. ("MCPIIL").

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. MHL was set up on 7 December 2021 with the scope of owning and operating the hotel within the Mercury Towers project, while MCML and MCPIIL were incorporated on 15 December 2021, with MCMLs main purpose being that of owning and operating the commercial mall and that of MCPIIL being that of owning and operating the car park within the Mercury Towers project.

**Principal Activities**

The principal activity of Mercury Towers Ltd. was the development and sale of property within the Mercury Towers project in St. Julians, Malta. The Company owns the land and Mercury House, a 19th Century Grade 2 villa. In August 2021, Mercury Towers Ltd. acquired the adjacent site from SGE Properties Ltd., thereby consolidating the ownership of the entire site on which the Mercury Towers project was developed.

During the year under review, Mercury Towers Ltd. started operating several areas within the Mercury Tower Complex.

During the previous year, Mercury Towers Ltd. transferred components of property consisting of Level 0 and Level 1 of the Podium to Mercury Hotel Ltd. The commercial mall and the entertainment arena spanning from Basement Level 3 and Level 1 were transferred to Mercury Commercial Mall Ltd. The car park underlying the Mercury Towers Complex was transferred to Mercury Car Park II Ltd. These transfers were affected at cost. The Company retained certain areas of the property with the intention of operating them itself.

The Company is the Guarantor to the bonds issued by Mercury Projects Finance P.l.c. whilst Mercury Hotel Ltd. is acting as surety to the bond issued in 2022.

**Review of Business**

***The Company***
During the current year, finishing works on the development progressed steadily and the Company continued to conclude deeds of sale on the last available units in the peripheral block.

The Company also started generating operating income from certain commercial outlets which it started operating during the year.

***Review of Business (Contd.)***

***The Company (Contd.)***

*Revenue from Sale of Property*
During the year under review, revenue for the Company amounted to € 4,145,400 (2023: € 24,448,385). The decrease in revenue from the sale of property resulted mainly from the execution of a lower number of deeds of sale as the inventory of units available for sale is being depleted. Revenue is recognized once the deed of sale is signed.

Cost of sales have likewise decreased in line with revenue.

Going forward, the Company's revenue will shift from the sale of property, as was the case up to the year under review, to revenue generated from other operations.

*Operational Revenue*
During the year under review, the Company started organizing events within the Mercury Tower Complex and towards the end of the year successfully launched the Odyssey experience, a unique journey covering Malta's history. However, all operational revenue for 2024 was still in the early stages.

In 2025, Mercury Towers will be launching and operating the Museum of Illusions, a global brand present in more than 55 countries.

The Company acts as the administrative and finance company to the group. Accordingly, most general pre-operating expenditure was being borne by the Company. The Company's results for the year were negatively affected because of delays in the completion of certain elements within the project, which meant that pre-operating costs had to be sustained for a longer period of time than anticipated, and with minimal revenue being generated from certain activities.

*Equity*
The Company's equity at the end of the year under review amounted to € 49,677,801 (2023: € 54,438,582). The decrease in equity is a result of losses incurred during the first months of operation of the various non property business units of the Mercury Towers Complex and a number of pre-operating costs.

***The Group***
During 2024, finishing works on the Mercury Towers development continued progressing steadily and by the end of the year significant elements of the Complex were operational through the various group companies, even though certain works were still being undertaken.

Mercury Projects Finance P.l.c. continued being the part-financing arm for the Mercury Towers project.

*Revenue from Sale of Property*
During the year under review, revenue for the Group amounted to € 24,806,652 (2023: € 37,804,449) with the decrease in revenue mainly resulting from the execution of a lower number of deeds of sale on units.

Cost of sales have likewise decreased in line with revenue.

Going forward, the Group's revenue will shift from the sale of property, as was the case up to the year under review, to revenue generated from other operations.

*Hotel Revenue*
The hotel welcomed its first guests in November 2024 in time for the SIGMA conference, but revenues generated were limited for the year. However, the feedback for the first couple of months has been very encouraging, and this augers well for the years ahead. It is expected that in the future, hospitality revenue would be a major contributor to the Group's operations.

***The Group (Contd.)***

*Commercial Mall Revenue*
The commercial mall opened its doors to the public in November 2023, and despite the challenges encountered by the ongoing construction around the area during 2024, revenues generated were very encouraging. With the Mercury Towers Complex now nearing completion, revenues are expected to reach their full potential in the near future.

*Car Park Revenue*
The Group recognizes the importance of the car park to the success of the Mercury Towers Complex. During 2024, the car park offered customers of the shopping mall free parking so as to support the launch of the mall and other outlets, a move which impacted its results. It is expected that revenues will continue improving once the Mercury Towers Complex is nearing completion.

*Operational Revenue*
During the year under review, the Group started organizing events within the Mercury Tower Complex and towards the end of the year successfully launched the Odyssey experience, a unique journey covering Malta's history. However, all operational revenue for 2024 was still in the early stages.

In 2025, Mercury Towers will be launching and operating the Museum of Illusions, a global brand present in more than 55 countries. The group is excited about the launch of Luciano Restaurant by renowned chef Gino D'Acampo early in 2025.

The Group's results for the year were negatively affected because of delays in the completion of certain elements within the project, which meant that pre-operating costs had to be sustained for a longer period of time than anticipated, and with minimal revenue being generated from certain activities.

*Equity*
The Group's equity at the end of the year under review amounted to € 66,058,385 (2023: € 78,771,930) with the decrease in equity primarily emanating from losses that some of the group companies incurred in this first period of operations.

**Bond Issue**

Pursuant to the prospectus published on the 4 March 2019, Mercury Projects Finance p.lc. (the "Issuer" or "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. Julians, Malta, which project is owned by the Company and the Group.

On the 22 March 2023, 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 2023 and 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 were 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 Towers project and for general corporate funding.

On the 25 July 2024, the Company issued a further €20,000,000 5.3% secured bonds to mature on 2034. 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 26 August 2024. Trading commenced on the same day.

In accordance with the provisions of the Prospectus dated 25 July 2024, the proceeds from this second bond issue were advanced by way of another loan facility to the Guarantor and Parent company, namely Mercury Towers Ltd, for the purposes of finishing the last elements of the Mercury Tower project and for general corporate funding.

**Project Update**

The Mercury House site consists of a plot of land originally measuring approximately 7,701sqm. During 2021, the Company acquired adjacent land measuring approximately 1,946sqm, on which the second phase of the project was being constructed. The site is located at one of the main gateways into Paceville, Malta. 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 were restored and rehabilitated and 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 amenities and contribute to the public realm of Paceville.

World renowned architect Dame Zaha Hadid 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.

Works on the development are almost completed. As at the date of issue of these financial statements, all the units in the tower have been sold and only 7 units remain in stock (5 of which are under Promise of Sale Agreement). Handover of the units in the tower and peripheral block is almost complete with final finishing.

By the time of issue of these financial statements, the residential area within the tower forming part of the first phase of the project was completely finished and being furnished to client specifications and designs. The last fourteen units, which were already transferred to the clients and fully paid, are currently being furnished to such client customisations. There are no units available for sale in the Mercury Tower.

Finishing of several commercial areas of the tower and first phase of the project is complete. These have since been handed over to the lessees and are in operation. Only three commercial areas remain to be handed over. These are currently in an advanced stage and are expected to be completed by the end of 2025.

The second phase of the project, which includes the hotel and peripheral block, is fully constructed with finishes well under way. The serviced apartments in the second phase of the project, also referred to as the peripheral block, were still being finished as at the end of 2024. Handing over was taking place at a steady pace with 20 units planned to be handed over in 2025. Only two units in the peripheral block are not under Promise of Sale. They are however held under a reservation agreement.

The commercial areas within the second phase of the project were finished, handed over and are in operation. The hotel started welcoming guests in November of the year under review. The Spa and MICE areas were finished and handed over during the first quarter of 2025 whereas the pool and roof top bar are expected to be handed over in the summer of 2025.

The funding of this project emanated from proceeds of sold units which stand at 100% of total units for sale after the approval of the additional floors for the tower and 99% of total units for sale for the peripheral block. Construction of property to be retained by the Guarantor for revenue generation was mainly funded from the bonds issued by the Company.

**Key Risks**

The key risks associated with the Company and the Group 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 the hospitality, accommodation and commercial rental markets in Malta, particularly referring to development adjacent to the Mercury Towers Complex and accessibility to same. The full list of all the key risks listed in the Prospectuses are still applicable to the Group.

The Company acts as the guarantor in relation to the bonds issued by the subsidiary, namely Mercury Projects Finance P.l.c., whilst Mercury Hotel Ltd. is acting as surety to the bonds issued during 2022.

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

**Economic Outlook**

The directors are conscious of the impact caused by the very recent introduction of widespread tariffs by the USA. These measures and counter measures may lead to economic turbulence. The evolving situation is being monitored closely.

**Results, Dividends and Reserves**

The results for the year and the movement in reserves are as set out on pages 7, 12 and 13 of the financial statements. No dividends were proposed or paid during the year under review. No final dividend is recommended.

**Directors**

The members serving on the Board of Directors and movements thereon are listed on page 2. In accordance with the Company's Articles of Association, the directors at date of this report are to remain in office.

**Company Secretary**

The company secretary is Dr. Ian J. 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 and signed on behalf of the Board of Directors on 30 April 2025.

Mr. Joseph Portelli
**Director**

Mr. Tristen Portelli
**Director**

**Statement of directors' responsibilities for the financial statements**

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company 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 directors are 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 directors are 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 them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved and signed on behalf of the Board of Directors on 30 April 2025.

Mr. Joseph Portelli
**Director**

Mr. Tristen Portelli
**Director**

## MERCURY TOWERS LTD.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 2024

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | | | *As Restated* | | |
| | | **Euro** | Euro | **Euro** | Euro |
| **Revenue** | 4 | **10,212,098** | 24,806,652 | **5,717,951** | 24,465,099 |
| Cost of sales | 5 | **(6,633,035)** | (17,542,741) | **(5,525,360)** | (17,289,368) |
| **Gross Profit** | | **3,579,063** | 7,263,911 | **192,591** | 7,175,731 |
| Depreciation | | **(3,939,516)** | (2,360,688) | **(949,318)** | (45,014) |
| Administrative overheads | | **(5,093,921)** | (1,211,191) | **(3,488,847)** | (1,730,887) |
| Selling expenses | | **(619,818)** | (1,197,969) | **(171,502)** | (1,197,969) |
| Provision for expected credit losses | | **252,504** | 152 | **399,736** | 2,299 |
| Other operating income/(expenditure) | 6 | **64,302** | (478,014) | **-** | 207 |
| **Operating Profit/(Loss)** | 7 | **(5,757,386)** | 2,016,201 | **(4,017,340)** | 4,204,367 |
| Movement in revaluation of investment property | | **-** | 13,139,730 | **-** | 13,139,730 |
| Finance costs | 8 | **(6,476,215)** | (3,462,191) | **(270,740)** | - |
| **Profit/(Loss) before Taxation** | | **(12,233,601)** | 11,693,740 | **(4,288,080)** | 17,344,097 |
| Tax expense | 9 | **(509,944)** | (5,956,639) | **(472,701)** | (5,912,828) |
| **Profit/(Loss) for the Year** | | **(12,743,545)** | 5,737,101 | **(4,760,781)** | 11,431,269 |
| **Other Comprehensive Income/(Expense)** | | | | | |
| **Items that will not be reclassified to profit/loss** | | | | | |
| Revaluation of property, plant and equipment | | **-** | 43,305,942 | **-** | - |
| Related deferred tax effect | 9 | **-** | (7,467,813) | **-** | - |
| **Other Comprehensive Income/(Expense) for Year** | | **-** | 35,838,129 | **-** | - |
| **Total Comprehensive Income/(Loss) for the Year** | | **(12,743,545)** | 41,575,230 | **(4,760,781)** | 11,431,269 |

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

## MERCURY TOWERS LTD.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## FOR THE YEAR ENDED 31 DECEMBER 2024

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | | | *As Restated* | | *As Restated* |
| | Note | **Euro** | Euro | **Euro** | Euro |
| **Assets** | | | | | |
| Property, plant and equipment | 10 | **175,835,974** | 143,186,813 | **8,391,891** | 197,826 |
| Intangible assets | 11 | **300,000** | 300,000 | **300,000** | 300,000 |
| Investment property | 12 | **83,432,377** | 80,595,065 | **88,921,004** | 84,962,862 |
| Investment in subsidiaries | 13 | **-** | - | **6,253,600** | 253,600 |
| Investment in associate | 14 | **1,500** | 1,500 | **1,500** | 1,500 |
| Other receivables | 15 | **-** | - | **95,076,846** | 93,057,252 |
| Trade and other receivables | 17 | **1,590,166** | 251,850 | **1,590,166** | 251,850 |
| Restricted cash | 18 | **-** | 20,295 | **-** | 20,295 |
| **Non-Current Assets** | | **262,132,227** | 224,355,523 | **200,535,007** | 179,045,185 |
| Inventories | 16 | **1,871,691** | 2,080,991 | **1,650,130** | 2,080,991 |
| Trade and other receivables | 17 | **15,094,037** | 39,413,247 | **49,742,714** | 46,848,199 |
| Taxation recoverable | 9 | **43,319** | 30,562 | **-** | - |
| Cash and cash equivalents | 18 | **786,742** | 3,701,749 | **272,133** | 3,379,520 |
| **Current Assets** | | **16,823,579** | 45,226,549 | **51,664,977** | 52,308,710 |
| **Total Assets** | | **278,955,806** | 269,582,072 | **252,199,984** | 231,353,895 |

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

## MERCURY TOWERS LTD.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2024

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | | | *As Restated* | | *As Restated* |
| | Note | **Euro** | Euro | **Euro** | Euro |
| **Equity** | | | | | |
| Share capital | 19 | **15,000,000** | 15,000,000 | **15,000,000** | 15,000,000 |
| Revaluation reserve | 19 | **35,838,129** | 35,838,129 | **-** | - |
| Investment property reserve | 19 | **26,106,159** | 26,106,159 | **26,106,159** | 26,106,159 |
| Retained earnings/(losses) | | **(10,885,903)** | 1,857,642 | **8,571,642** | 13,332,423 |
| **Total Equity** | | **66,058,385** | 78,801,930 | **49,677,801** | 54,438,582 |
| **Liabilities** | | | | | |
| Interest bearing borrowings | 20 | **-** | - | **92,444,358** | 72,444,358 |
| Non-interest bearing borrowings | 21 | **5,855,744** | - | **5,855,744** | - |
| Bank borrowings | 23 | **72,247,931** | 73,449,735 | **72,247,931** | 73,449,735 |
| Bonds payable | 22 | **92,500,000** | 72,500,000 | **-** | - |
| Trade and other payables | 24 | **892,314** | - | **437,164** | - |
| Deferred tax liability | 9 | **14,246,491** | 14,119,600 | **6,778,678** | 6,651,787 |
| **Non-Current Liabilities** | | **185,742,480** | 160,069,335 | **177,763,875** | 152,545,880 |
| Bank borrowings | 23 | **16,062,612** | 13,222,723 | **15,035,866** | 13,222,723 |
| Trade and other payables | 24 | **11,092,329** | 17,488,084 | **9,722,442** | 11,146,710 |
| **Current Liabilities** | | **27,154,941** | 30,710,807 | **24,758,308** | 24,369,433 |
| **Total Liabilities** | | **212,897,421** | 190,780,142 | **202,522,183** | 176,915,313 |
| **Total Equity and Liabilities** | | **278,955,806** | 269,582,072 | **252,199,984** | 231,353,895 |

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

The financial statements set out on pages 7 to 50 were approved and signed on behalf of the Board of Directors on 30 April 2025 by:

Mr. Joseph Portelli
**Director**

Mr. Tristen Portelli
**Director**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2024

**Group**

| | Total equity | Share capital | Investment property reserve | Reval. reserve | Retained earnings/ (losses) |
|---|---|---|---|---|---|
| | Euro | Euro | Euro | Euro | Euro |
| **Balance as at 1 January 2024** | **78,801,930** | **15,000,000** | **26,106,159** | **35,838,129** | **1,857,642** |
| **Comprehensive Loss for the Year** | | | | | |
| Loss for the year | **(12,743,545)** | **-** | **-** | **-** | **(12,743,545)** |
| **Balance at 31 December 2024** | **66,058,385** | **15,000,000** | **26,106,159** | **35,838,129** | **(10,885,903)** |
| **Balance as at 1 January 2023** | 37,196,700 | 10,500,000 | 16,985,137 | - | 9,711,563 |
| **Distributions to Owners of the Company** | | | | | |
| Dividends Paid | (4,500,000) | - | - | - | (4,500,000) |
| **Contributions by Owners of Company** | | | | | |
| Issue of Ordinary Shares | 4,500,000 | 4,500,000 | - | - | - |
| **Comprehensive Income for the Year** | | | | | |
| Profit for the year | 5,737,101 | - | - | - | 5,737,101 |
| Other comprehensive income | 35,838,129 | - | - | 35,838,129 | - |
| **Movement on Reserves** | | | | | |
| Revaluation of investment property | - | - | 13,139,730 | - | (13,139,730) |
| Transfer of deferred tax on revaluation | - | - | (4,018,708) | - | 4,018,708 |
| **Balance at 31 December 2023** | 78,771,930 | 15,000,000 | 26,106,159 | 35,838,129 | 1,827,642 |
| Prior Year Adjustment (Note 19.3) | 30,000 | - | - | - | 30,000 |
| **Balance at 31 December 2023 - Restated** | 78,801,930 | 15,000,000 | 26,106,159 | 35,838,129 | 1,857,642 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

**Company**

| | Total equity | Share capital | Investment property reserve | Retained earnings |
|---|---|---|---|---|
| | **Euro** | **Euro** | **Euro** | **Euro** |
| **Balance as at 1 January 2024** | **54,438,582** | **15,000,000** | **26,106,159** | **13,332,423** |
| **Comprehensive Income for the Year** | | | | |
| Profit for the year | **(4,760,781)** | **-** | **-** | **(4,760,781)** |
| **Balance at 31 December 2024** | **49,677,801** | **15,000,000** | **26,106,159** | **8,571,642** |
| | | | | |
| **Balance as at 1 January 2023** | 43,007,313 | 10,500,000 | 16,985,137 | 15,522,176 |
| **Distributions to Owners of the Company** | | | | |
| Dividends Paid | (4,500,000) | - | - | (4,500,000) |
| **Contributions by Owners of Company** | | | | |
| Issue of Ordinary Shares | 4,500,000 | 4,500,000 | - | - |
| **Comprehensive Income for the Year** | | | | |
| Profit for the year | 11,431,269 | - | - | 11,431,269 |
| **Movement on Reserves** | | | | |
| Revaluation of investment property | - | - | 13,139,730 | (13,139,730) |
| Transfer of deferred tax on revaluation | - | - | (4,018,708) | 4,018,708 |
| **Balance at 31 December 2023** | 54,438,582 | 15,000,000 | 26,106,159 | 13,332,423 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | | | *As Restated* | | *As Restated* |
| | Note | **Euro** | Euro | **Euro** | Euro |
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) for the year | | **(12,743,545)** | 5,767,101 | **(4,760,781)** | 11,431,269 |
| ***Adjustments for:*** | | | | | |
| Depreciation of property, plant and equipment | | **3,939,516** | 1,207,854 | **949,318** | 45,014 |
| Revaluation of investment property | | **-** | (13,139,730) | **-** | (13,139,730) |
| Provision for expected credit losses | | **(252,504)** | (152) | **(399,736)** | (2,299) |
| Net finance costs | | **6,476,215** | 3,462,191 | **270,740** | - |
| Tax expense | | **509,944** | 5,956,639 | **472,701** | 5,912,828 |
| | | **(2,070,374)** | 3,253,903 | **(3,467,758)** | 4,247,082 |
| ***Changes in:*** | | | | | |
| Inventories | | **210,327** | 13,075,808 | **430,861** | 13,075,808 |
| Trade and other receivables | | **27,195** | 8,210,750 | **368,939** | 788,214 |
| Trade and other payables | | **(961,161)** | (7,363,067) | **(1,998,336)** | (1,270,830) |
| Contract liability | | **745,000** | 1,076,620 | **745,000** | 1,076,620 |
| **Cash from/(used in) operations** | | **(2,049,013)** | 18,254,014 | **(3,921,294)** | 17,916,894 |
| Taxes paid | | **(395,810)** | (2,019,234) | **(345,810)** | (1,898,649) |
| **Net cash from/(used in) operating activities** | | **(2,444,823)** | 16,234,780 | **(4,267,104)** | 16,018,245 |
| **Cash flows from investing activities** | | | | | |
| Capital contribution to subsidiary company | | **-** | - | **(6,000,000)** | - |
| Acquisition of property, plant and equipment | | **(36,589,705)** | (46,989,836) | **(9,143,383)** | (242,840) |
| Acquisition of intangible assets | | **-** | 300,000 | **-** | 300,000 |
| Acquisition of investment property | | **(2,837,312)** | (25,920,870) | **(3,958,142)** | (26,101,602) |
| Transfer of investment property | | **-** | - | **-** | 26,531,743 |
| **Net cash from/(used in) investing activities** | | **(39,427,017)** | (73,210,706) | **(19,101,525)** | 487,301 |
| **Cash flows from financing activities** | | | | | |
| Issue of share capital | | **-** | 4,500,000 | **-** | 4,500,000 |
| Proceeds from bond issue | | **20,000,000** | - | **-** | - |
| Loan advanced by subsidiary | | **-** | - | **20,000,000** | - |
| Loan advanced by ultimate beneficial owner | | **5,855,744** | - | **5,855,744** | - |
| Net movement on bank borrowings | | **4,380,255** | 39,081,089 | **3,893,513** | 39,081,089 |
| Movement in advances to related parties | | **17,939,219** | (251,850) | **24,005,760** | (551,850) |
| Movement in advances to subsidiaries | | **-** | - | **(29,940,861)** | (76,600,093) |
| Dividends Paid | | **-** | (4,500,000) | **-** | (4,500,000) |
| Interest paid on bonds | | **(3,437,901)** | (3,048,750) | **-** | - |
| Bank and other interest paid | | **(3,038,314)** | (413,441) | **(270,740)** | - |
| **Net cash from/(used in) financing activities** | | **41,699,003** | 35,367,048 | **23,543,416** | (38,070,854) |
| **Net movement in cash and cash equivalents** | | **(172,837)** | (21,606,878) | **174,787** | (21,565,308) |
| Cash and cash equivalents at 1 January | | **(607,442)** | 21,001,436 | **(929,671)** | 20,635,637 |
| **Cash and cash equivalents at 31 December** | 17 | **(780,279)** | (607,442) | **(754,884)** | (929,671) |

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 Company's registered office is at Mercury Towers, J Portelli Offices, Triq San Gorg, San Giljan STJ 3202, Malta.

The consolidated financial statements comprise the results and financial position of the Company, namely Mercury Towers Ltd., and its four subsidiaries, namely Mercury Projects Finance P.l.c., Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd., hereinafter referred to as the "Subsidiaries" and collectively referred to as the "Group", details of which are included under Note 13. All subsidiaries have a reporting date of 31 December.

## 2. Basis of preparation

### 2.1 Statement of compliance

These consolidated 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 prepares consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*.

### 2.2 Going concern basis

By the time of issue of these financial statements, the project was close to being fully completed, with only two areas remaining, one of which is expected to be launched in the coming weeks. In 2024, both the shopping mall and the car park had experienced a full year of operations, whilst other business ventures were launched, including the ME hotel and Odyssey.

The funding of the project has been largely financed from the sale of properties within the Mercury Towers Complex, as well as other external funding. Now that the Mercury Towers Complex is nearly completed, income generation is now expected to shift to the operational activities within the Mercury Group companies.

Moreover, the shareholder has injected and continues to inject further funding to support the operations of the Group as necessary. Accordingly, the directors conclude that the going concern basis applied for the preparation of these financial statements is appropriate

### 2.3 Basis of measurement

The financial statements of the Company and the Group have been prepared on the historical cost basis with the exception of investment property and immovable property within property, plant and equipment, which are stated at fair value.

### 2.4 Functional and presentation currency

The financial statements are presented in Euro (€), which is the Company's and 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 recognized 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 recognized in the financial statements is included in the note on ECL allowance for trade receivables under Note 23.3.

**2.6 Measurement of fair values**

A number of the Company's and the Group'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 and the Group use observable market data as far as possible. Fair values are categorized 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 categorized 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 and immovable property within property, plant and equipment 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 and the Group'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 authorization for issue of these audited financial statements but are not mandatory for the the Company's and the Group's accounting period starting 1 January 2024. The Company and the Group 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 Company and the Group consolidate its financial statements based on the following:

#### *3.1.1 Subsidiaries and associates*

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent has, directly or indirectly through subsidiaries, a majority of the shareholder's voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

An investment in a subsidiary is initially measured at cost. After initial recognition, an investment in subsidiaries may be carried either under the cost method, that is at cost less any impairment losses or under the equity method. The Company carries investments in subsidiaries at cost less any accumulated impairment losses.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

In the Company's and the Group's financial statements, investments in associates are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses.

An investment in a subsidiary or associate is derecognised upon disposal or dissolution. Gains or losses from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

#### *3.1.2 Transactions eliminated on consolidation*

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

### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company and 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 is 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 recognized in profit or loss.

**3. Significant accounting policies *(Contd.)***

**3.3 Financial instruments**

***3.3.1 Recognition and initial measurement***

Trade and other receivables are initially recognized when they originated. All other financial assets and financial liabilities are initially recognized when the Company and the Group become 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: amortized 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 Company and 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 amortized 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.

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 amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company and the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3. Significant accounting policies (Contd.)**

**3.3 Financial instruments *(Contd.)***

***3.3.2.2 Financial assets – Business model assessment***

The Company and the Group make 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 realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's and 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 Company and the Group consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company and the Group consider:

- 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 Company's and the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the sole 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 amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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

**3. Significant accounting policies *(Contd.)***

**3.3 Financial instruments *(Contd.)***

***3.3.2.5 Financial liabilities***

Financial liabilities are classified as measured at amortized 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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

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

***3.3.3 Derecognition***

***Financial assets***

The Company and the Group derecognize 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 Company and the Group neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

***Financial liabilities***

The Company and the Group derecognize a financial liability when its contractual obligations are discharged or cancelled or expire. The Company and the Group also derecognize 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 recognized 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 recognized 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 Company and the Group currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize 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 recognized as a deduction from equity, net of tax.

## 3. Significant accounting policies *(Contd.)*

### 3.5 Property, Plant and Equipment
4.

***Property***

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

***Plant and Equipment***

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Deprecation is recognised in profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following annual rates:

| | | |
|---|---|---|
| Buildings | - | 2.00% |
| Mechanical and engineering equipment | - | 6.67% |
| Plant and equipment | - | 16.67% |
| Communication equipment | - | 16.67% |
| Other equipment | - | 10% |
| Flying theatre | - | 6.67 %- 25% |
| Furniture and fixtures | - | 10.00% |
| Office equipment | - | 10.00% |
| Computer equipment and software | - | 25.00% |
| Motor vehicles | - | 20.00% |

Land and buildings and mechanical and engineering equipment are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment are recognised at historical costs less depreciation.

### 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 derecognized 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 derecognized.

**3. Significant accounting policies *(Contd.)***

**3.7 Intangible assets**

***3.7.1 Externally acquired intangible assets***

Externally acquired intangible rights, such as licences are recognized in the statement of financial position. Amortisations of intangible rights are disclosed under selling and marketing expenses and recording of an amortisation expense will commence when marketing of the product commences.

The license agreements are measured at their historical cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the expected economic lives of the licenses. The license agreements will be amortised over 10 years from the date when these are put into use.

**3.8 Loans receivable**

Debt instruments representing financial assets where the contractual cash flows are solely principal and interest and the objective of the Company's and the Group's business model is achieved both by collecting contractual cash flows and where these give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding are measured at amortised cost using the effective interest method, less any impairment losses.

On derecognition, impairment or disposal of debt instruments, any gains or losses are recognised within the profit or loss.

**3.9 Inventories**

***3.9.1 Property held for resale***

Inventories comprising property held for resale are stated at the lower of cost and net realizable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred to bringing the inventories to their present location and condition. Net realizable 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.

***3.9.2 Goods for resale***

Inventories of goods for resale are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on a first-in first-out basis. Cost comprises all costs of purchases and other costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Inventory write downs and reversals are included in 'cost of sales'.

***3.9.3 Food and Beverage***

Inventories of food and beverage are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on a first-in first-out basis. Cost comprises all costs of purchases and other costs in bringing the inventories to their present location and condition. Inventory write downs and reversals are included in 'cost of sales'.

***3.9.4 Crockery, Cutlery and Glass***

Base inventories for crockery, cutlery and glass are measured at the lower of cost. On the replacement of such items, cost is charged to the income statement.

***3.9.5 Linens and Soft Furnishings***

Base inventories for linens and soft furnishings are measured at the lower of cost. On the replacement of such items, cost is charged to the income statement.

***3.9.6 Small Equipment***

Base inventories for small equipment are measured at the lower of cost. On the replacement of such items, cost is charged to the income statement.

**3. Significant accounting policies *(Contd.)***

**3.10 Receivables**

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

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

Expected credit losses on trade receivables are presented within operating profit. Subsequent recoveries of amounts previously written off or provided for are credited against the same line item.

**3.11 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, deposits at call with financial institutions, other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial p[osition.

**3.12 Impairment**

***3.12.1 Financial assets***

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

The Company and the Group measure 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 Company and the Group consider 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 Company's and the Group's historical experience and informed credit assessment and including forward-looking information.

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

The Company and the Group consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company and the Group in full, without recourse by the Company and the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

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

## 3. Significant accounting policies *(Contd.)*

### 3.12 Impairment *(Contd.)*

#### *3.12.1 Financial assets (Contd.)*

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 Company and the Group are 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 Company and the Group expect 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 Company and the Group assess whether financial assets carried at amortized 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 Company and the Group on terms that the Company and the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*
Loss allowances for financial assets measured at amortized 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 Company and the Group have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company and the Group individually make 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 Company and the Group expect 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 Company's and the Group's procedures for recovery of amounts due.

The carrying amounts of the Company's and 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.

**3. Significant accounting policies *(Contd.)***

**3.12 Impairment *(Contd.)***

***3.12.1 Financial assets (Contd.)***

*Write-off (Contd.)*
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 recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication 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 amortization, if no impairment loss had been recognized.

**3.13 Employee benefits**

***Defined contribution plans***
The Company and the Group contribute towards the state's defined contribution plan in accordance with local legislation. Such contributions are immediately recognized in profit or loss.

**3.14 Revenue**

***3.14.1 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 Company and the Group recognize revenue when it transfers control over a product or service to a customer. The Company's and the Group's revenue is primarily derived from the sale of apartments in airspace or shell form in Mercury Towers in St. Julians, Malta.

***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 Company and the Group enter 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 Company and the Group have 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 are recognized as deposits and are classified within trade and other payables. Upon the satisfaction of the performance obligation as per contract, revenue is realized and recognized in the income statement.

## 3. Significant accounting policies *(Contd.)*

### 3.14 Revenue *(Contd.)*

#### *3.14.1 Revenue from contracts with customers (Contd.)*

***Other consideration related to the sale of property***
In determining the transaction price, the Company and the Group consider 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 Company and the Group are 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 Company and the Group. The initial deposits are used to protect the Company and 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.

#### *3.14.2 Rental Income*
Revenue comprises rental income receivable from the leasing of property in the ordinary course of business of the Company and the Group. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

#### *3.14.3 Rendering of Services*
Revenue also comprises the fair value of the consideration received or receivable for the provision of ancillary services in the ordinary course of business of the Company and the Group. Revenue for services is recognised in the period in which they are rendered. Revenues are shown net of value added tax, rebates and discounts.

### 3.15 Operating profit/(loss)

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

### 3.16 Finance income and finance costs

Finance income comprises interest income. Interest income is recognized 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 recognized as an expense in profit and loss in the period in which they are incurred.

### 3.17 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 the Company and the Group level are deferred over the term of the bond and annually amortized using the effective interest method.

## 3. Significant accounting policies *(Contd.)*

### 3.18 Income taxes

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

#### *3.18.1 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.

#### *3.18.2 Deferred tax*

Deferred tax is recognized 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 recognized 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.

If the amount of taxable temporary differences is insufficient to recognize 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 Company and 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 realized; 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 realized simultaneously.

## 4. Revenue

### 4.1 Revenue streams

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Property | **4,145,400** | 24,448,385 | **4,145,400** | 24,448,385 |
| Car park | **278,264** | 43,774 | **-** | - |
| Commercial mall | **3,888,084** | 297,779 | **-** | - |
| Hotel | **321,768** | - | **-** | - |
| Operational | **1,578,582** | 16,714 | **1,572,551** | 16,714 |
| | **10,212,098** | 24,806,652 | **5,717,951** | 24,465,099 |

The revenue generated during 2024 and 2023 was recognized at the point in time when control was transferred to the customer or when services were rendered.

## 4. Revenue *(Contd.)*

### 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 recognized as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. During the year, the Company and Group contract assets amounted to € nil.

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

As at the reporting date, the Company and the Group held contract liabilities amounting to € 2,991,450 (2023: € 2,246,450) recognized within trade and other payables (see Note 24). Contract liabilities relate to the advance consideration received from customers for the finishing of apartments, for which revenue will be recognized at a point in time when the apartments will be finished, which is expected to occur over the next year.

## 5. Cost of sales

Including with cost of sales for the year, there are direct costs associated with new activities of the Company and the Group and these are split as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Property | **3,629,806** | 17,288,809 | **3,629,806** | 17,288,809 |
| Car park | **117,464** | 16,980 | **-** | - |
| Commercial mall | **179,041** | 236,952 | **-** | - |
| Hotel | **776,068** | - | **-** | - |
| Operational | **1,930,656** | - | **1,895,554** | 559 |
| | **6,633,035** | 17,542,741 | **5,525,360** | 17,289,368 |

## 6. Other operating income/(expenditure)

Other operating income/(expenditure) arises from certain pre-operating expenditure and recharges. Since these are not considered to be part of the main revenue generating activities, the Company and the Group present this income and expenditure separately.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Other income | **-** | 207 | **-** | 207 |
| Pre-operating expenditure | **-** | (517,958) | **-** | - |
| Recharge of expenses | **64,302** | 39,737 | **-** | - |
| | **64,302** | (478,014) | **-** | 207 |

## 7. Operating profit/(loss)

**7.1** The results from operating activities of the Company and the Group are stated after charging the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Auditors' remuneration | **66,816** | 44,940 | **31,600** | 27,500 |
| Auditors' remuneration - non-audit services | **5,550** | 2,400 | **2,600** | 1,200 |
| Depreciation | **3,939,516** | 1,207,854 | **949,318** | 45,014 |
| Directors' fees | **108,000** | 108,000 | **-** | - |

### 7.2 Personnel information

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Salaries | **3,144,728** | 1,639,717 | **2,143,588** | 1,074,347 |
| Social costs | **211,372** | 65,912 | **137,663** | 44,668 |
| **Total salary costs** | **3,356,100** | 1,705,629 | **2,281,251** | 1,119,015 |
| Salaries allocated to subsidiary companies | **-** | - | **(744,601)** | - |
| **Net salary costs** | **3,356,100** | 1,705,629 | **1,536,650** | 1,119,015 |

**7.2.1** In this initial period of operations, the Company, as a finance and administrative company for the Group, incurred substantial and non-rechargeable salary costs because of delays in the opening and operation of certain elements within the Mercury Towers Complex. These costs are not expected to be recurring in the future.

**7.2.2** During the year under review, salary costs incurred by the Company amounting to € 744,601 were allocated to its subsidiary companies. These allocations are eliminated on consolidation.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **No.** | No. | **No.** | No. |
| Administration, direct and selling | **104** | 34 | **70** | 24 |

## 8. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Bank overdraft and loan interest | **2,919,156** | 413,441 | **151,582** | - |
| Interest on bonds | **3,437,901** | 3,048,750 | **-** | - |
| Other interest due to depositors | **119,158** | - | **119,158** | - |
| | **6,476,215** | 3,462,191 | **270,740** | - |

**8.1** The Company's and the Group's infrastructure and operations are financed through the Company who obtained fundings for the realisation and operation of the Company's and the Group's component companies. Accordingly, the Company allocates interest to its subsidiaries in accordance with the financing made available to the individual component company. The overall interest allocated by the Company to its subsidiaries during 2024 amounted to € 5,366,664 (2023: € 4,961,360). These amounts are eliminated on consolidation.

## 9. Tax expense

### 9.1 Tax recognized in profit or loss

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Current taxation** | | | | |
| Final withholding tax at 5% or 8% on property sales | **345,810** | 1,898,649 | **345,810** | 1,898,649 |
| Current tax at 35% | **37,243** | 44,562 | **-** | - |
| | **383,053** | 1,943,211 | **345,810** | 1,898,649 |
| **Deferred taxation** | | | | |
| Originating from temporary differences | **126,891** | (5,280) | **126,891** | (4,529) |
| Originating from revaluation of investment property | **-** | 4,018,708 | **-** | 4,018,708 |
| | **126,891** | 4,013,428 | **126,891** | 4,014,179 |
| **Total tax expense** | **509,944** | 5,956,639 | **472,701** | 5,912,828 |

## 9. Tax expense *(Contd.)*

### 9.2 Reconciliation of effective tax rate

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Profit/(loss) before taxation** | **(12,233,601)** | 11,693,740 | **(4,288,080)** | 17,344,097 |
| Tax using the domestic tax rate of 35% | **(4,281,760)** | 4,092,809 | **(1,500,828)** | 6,070,434 |
| ***Tax effect of:*** | | | | |
| Non-taxable income | **(139,908)** | (4,696,600) | **(139,908)** | (4,682,691) |
| Non-deductible expenses | **2,806,042** | 8,051,150 | **1,696,108** | 7,442,589 |
| Different tax rates | **(1,105,080)** | (6,929,907) | **(1,105,080)** | (6,929,907) |
| Deferred tax element unrecognized | **-** | 1,180,060 | **-** | - |
| Tax effect of capital allowances absorbed | **(309,543)** | **-** | - | **-** |
| Tax effect of tax losses carried forward/(absorbed) | **3,376,059** | 245,699 | **1,395,518** | (1,776) |
| **Current tax expense** | **345,810** | 1,898,649 | **345,810** | 1,898,649 |

### 9.3 Recognized deferred tax assets/(liabilities)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Assets/(Liabilities):** | | | | |
| Revaluation of property, plant and equipment | **(7,467,813)** | (7,467,813) | **-** | - |
| Revaluation of investment property | **(6,797,029)** | (6,797,029) | **(6,797,029)** | (6,797,029) |
| Other temporary and deducible differences | **18,351** | 145,242 | **18,351** | 145,242 |
| **Deferred tax asset/(liability)** | **(14,246,491)** | (14,119,600) | **(6,778,678)** | (6,651,787) |

No deferred tax is being accounted for on unutilized capital allowances and statutory losses available.

## 10. Property, plant and equipment

**10.1** The Group's property, plant and equipment are made up as follows:

**Group**

| | At 01.01.24 | Reclassif. | Additions | **At 31.12.24** |
|---|---|---|---|---|
| | Euro | Euro | Euro | **Euro** |
| **Cost/Valuation:** | | | | |
| Land | 31,567,236 | 6,261,420 | - | **37,828,656** |
| Buildings | 72,910,897 | 2,513,160 | - | **75,424,057** |
| Mechanical and engineering equipment | 6,853,648 | 7,245,240 | - | **14,098,888** |
| Plant and equipment | - | 671,500 | 8,600 | **680,100** |
| Communication equipment | | - | 452,037 | **452,037** |
| Other equipment | 47,719 | (1,028) | 293,199 | **339,890** |
| Flying theatre | - | - | 8,399,017 | **8,399,017** |
| Furniture and fixtures | 219,225 | 2,780,920 | 444,601 | **3,444,746** |
| Office equipment | - | - | 11,623 | **11,623** |
| Computer equipment and software | 365,930 | - | 123,957 | **489,887** |
| Motor vehicles | 48,500 | - | - | **48,500** |
| Assets under construction | 32,391,515 | (19,472,240) | 26,856,671 | **39,775,946** |
| | 144,404,670 | (1,028) | 36,589,705 | **180,993,347** |

| | At 01.01.24 | Reclassif. | Charge For Year | **At 31.12.24** |
|---|---|---|---|---|
| | Euro | Euro | Euro | **Euro** |
| **Depreciation:** | | | | |
| Buildings | 688,422 | - | 1,463,706 | **2,152,128** |
| Mechanical and engineering equipment | 456,910 | - | 940,168 | **1,397,078** |
| Plant and equipment | - | - | 113,659 | **113,659** |
| Communication equipment | - | - | 75,340 | **75,340** |
| Other equipment | 4,669 | - | 61,030 | **65,699** |
| Flying theatre | | - | 763,488 | **763,488** |
| Furniture and fixtures | 37,558 | - | 381,847 | **419,405** |
| Office equipment | - | - | 1,722 | **1,722** |
| Computer equipment and software | 10,898 | - | 128,856 | **139,754** |
| Motor vehicles | 19,400 | - | 9,700 | **29,100** |
| | 1,217,857 | - | 3,939,516 | **5,157,373** |
| **Net book amount** | 143,186,813 | | | **175,835,974** |

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

**10.2** The Company's property, plant and equipment are made up as follows:

**Company**

| | At 01.01.24 | Additions | **At 31.12.24** |
|---|---|---|---|
| | Euro | Euro | **Euro** |
| **Cost:** | | | |
| Communication equipment | - | 452,037 | **452,037** |
| Other equipment | 46,691 | 22,767 | **69,458** |
| Flying theatre | - | 8,399,017 | **8,399,017** |
| Furniture and fittings | 187,789 | 185,938 | **373,727** |
| Office equipment | - | 5,593 | **5,593** |
| Computer equipment and software | 8,360 | 78,031 | **86,391** |
| | 242,840 | 9,143,383 | **9,386,223** |

| | At 01.01.24 | Charge For Year | **At 31.12.24** |
|---|---|---|---|
| | Euro | Euro | **Euro** |
| **Depreciation:** | | | |
| Communication equipment | - | 75,340 | **75,340** |
| Other equipment | 4,669 | 6,946 | **11,615** |
| Flying theatre | - | 763,488 | **763,488** |
| Furniture and fittings | 37,558 | 74,745 | **112,303** |
| Office equipment | - | 1,119 | **1,119** |
| Computer equipment and software | 2,787 | 27,680 | **30,467** |
| | 45,014 | 949,318 | **994,332** |
| **Net book amount** | 197,826 | | **8,391,891** |

**10.3** Following a reorganization exercise during 2021, various elements of the Mercury Towers Complex were transferred to Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd. with a view that these be operated by the respective wholly owned subsidiaries. Meanwhile, the Company also maintained certain elements of the Complex to be operated in its own name. In April 2024, the hotel property was valued by independent architects at € 62,130,000 however, such revaluation is not being recognised in these financial statements, since this property is still not complete.

**10.4** Included within the cost of Group property additions for the year, are capitalized bank borrowing costs relating to the acquisition of the land and the assets in the course of construction for € 1,258,210 (2023: € 1,506,029), and which costs are calculated using a capitalization rate of 6% and € 2,250,000 (2023: € 2,250,000), calculated using capitalized rates emanating from the Company's loan with its subsidiary. As a result, Group accumulated capitalized borrowing costs amounting to € 3,508,210 (2023: € 4,799,000) 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 € 153,028,659 (2023: € 136,869,648) as at year-end.

**10.5** Property owned by the Group is subject to special hypothecs in favour of creditors for funds borrowed (see Notes 20 and 22).

**11. Intangible Assets**

**11.1** The Group's intangible assets were as follows:

**Group**

| | At 01.01.24 | Additions | **At 31.12.24** |
|---|---|---|---|
| | *As Restated* Euro | Euro | **Euro** |
| **Cost:** | | | |
| Licenses | 300,000 | - | **300,000** |

**11.2** The Company's intangible assets were as follows:

**Company**

| | At 01.01.24 | Additions | **At 31.12.24** |
|---|---|---|---|
| | *As Restated* Euro | Euro | **Euro** |
| **Cost:** | | | |
| Licenses | 300,000 | - | **300,000** |

**11.3** During the year under review, a subsidiary company identified that an intangible asset costing € 300,000 and on which amortisation of € 30,000 had been provided for in the previous year, was in actual fact the property of the Company and was still not put into use. Accordingly, the Company and the Group have affected the necessary adjustments to the intangible assets by way of a prior year adjustment (see Note 19.3).

**11.4** As at year end, no amortization is being taken on intangible assets as these were not yet put into use.

**12. Investment property**

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Balance at 1 January | **80,595,065** | 68,066,208 | **84,962,862** | 72,253,273 |
| Additions | **2,837,312** | 25,920,870 | **3,958,142** | 26,101,602 |
| Transfer of property to subsidiaries | **-** | (26,531,743) | **-** | (26,531,743) |
| Revaluation | **-** | 13,139,730 | **-** | 13,139,730 |
| **Balance at 31 December** | **83,432,377** | 80,595,065 | **88,921,004** | 84,962,862 |

**12.2** Included within the Company's investment property are capitalized borrowing costs related to the acquisition of the land and the assets in the course of construction of € 875,010 (2023: € 419,978), calculated using a capitalization rate of 4.75% and € 1,120,829 (2023: € 1,120,829), calculated using capitalized rates emanating from the Company's loan with its subsidiary. As a result, the Company's accumulated capitalized borrowing costs amounting to € 5,488,627 (2023: € 4,367,798) that relate directly to investment property are eliminated from the property value upon consolidation in accordance with Note 3.1. As a result, the investment property balance at Group level amounted to € 83,432,377 (2023: € 80,595,065) as at year-end.

**12. Investment property *(Contd.)***

**12.3** During 2021, the Group embarked on a reorganization exercise, following which, during 2023 the Company transferred components of investment property consisting of the hotel podium, the commercial mall and car park to three wholly owned subsidiaries, namely Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd. respectively. These properties were transferred in a semi-finished state at a total cost of € 26,531,743.

**12.4** The Company's and the Group's investment property comprises property retained for the purpose of operation. Since the investment property is not yet available for use, it is not being depreciated.

Land and buildings classified as investment property as on 31 December 2023 were revalued by external independent qualified valuers, namely EM Architects in April 2024. 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 categorized 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.

**12.5** Investment property owned by the Company and the Group is subject to special hypothecs in favour of creditors for funds borrowed (see Notes 22 and 23).

**13. Investment in subsidiaries**

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Equity investments:** | | | | |
| Investment in subsidiary companies at cost | **-** | - | **253,600** | 253,600 |
| Capital contribution | **-** | - | **6,000,000** | - |
| **Total investment in subsidiaries** | **-** | - | **6,253,600** | 253,600 |

**13.1** During the year under review, the Company affected a contribution of € 6,000,000 to a subsidiary company which funds are repayable at the discretion of the same subsidiary company.

**13. Investment in subsidiaries *(Contd.)***

**13.2** The following information relates to the Company's subsidiaries:

| Details of subsidiary | Incorp. in | % Holding 2024 | % Holding 2023 | Nature of business |
|---|---|---|---|---|
| Mercury Projects Finance P.l.c. | Malta | **100%** | 100% | Financing vehicle |
| Mercury Hotel Ltd. | Malta | **100%** | 100% | Operation of hotel |
| Mercury Commercial Mall Ltd. | Malta | **100%** | 100% | Operation of commercial areas |
| Mercury Car Park II Ltd. | Malta | **100%** | 100% | Operation of car park |

**14. Investment in associate**

| | Group 2024 Euro | Group 2023 Euro | Company 2024 Euro | Company 2023 Euro |
|---|---|---|---|---|
| **Equity investments:** | | | | |
| Investment in associated company at cost | **1,500** | 1,500 | **1,500** | 1,500 |
| **Total investment in associate** | **1,500** | 1,500 | **1,500** | 1,500 |

**14.1** The following information relates to the Company's investment in the associate:

| Details of associate | Incorp. in | % Holding 2024 | % Holding 2023 | Nature of business |
|---|---|---|---|---|
| Mercury Car Park Ltd. | Malta | **25%** | 25% | Non-trading |

**14.2** As part of the consolidated financial statements preparation, the above-mentioned associate has been subject to an 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, and the value of the investment in the associate based on the equity-accounting method amounted to € 18,616 as at 31 December 2023. The accounts of the associated undertaking are not yet finalized, however management believes that the equity position is not material to the group.

**14.3** On 28 March 2023, the Company acquired 68% of the property owned by Mercury Car Park Ltd. from Bersella Holdings Ltd. for a total price of € 9 million, thereby increasing the ownership of the car park underlying the first phase of the development to 93%. During the same year, the car park was transferred to the wholly owned subsidiary, namely Mercury Car Park II Ltd. at cost.

## 15. Other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-current:** | | | | |
| Amounts due from subsidiary companies | **-** | - | **95,076,846** | 93,057,252 |
| **Total other receivables** | **-** | - | **95,076,846** | 93,057,252 |

**15.1** The amounts due from the subsidiary companies are unsecured and have no fixed date for repayment. As noted in Note 8.1, the Company's and the Group's infrastructure and operations are financed through the Company who obtained fundings for the realisation and operation of the Company's and the Group's component companies. Accordingly, the Company allocates interest to its subsidiaries in accordance with the financing made available to the individual component company. These amounts are eliminated on consolidation.

**15.2** The Company's and the Group's exposure to credit risk related to other receivables is disclosed in Note 25.3. No provision for Expected Credit Losses was considered necessary on the above balances due from the subsidiary companies, since should the subsidiary companies default, the Company would take over the assets. The directors have therefore assessed that the Probability of Default and Loss Given Default are non-existent.

## 16. Inventories

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Property held for resale:** | | | | |
| Phase 2 - Cost of land and direct expenses | **1,326,837** | 1,673,000 | **1,326,837** | 1,673,000 |
| Phase 2 - Cost of construction and development | **129,317** | 407,991 | **129,317** | 407,991 |
| | **1,456,154** | 2,080,991 | **1,456,154** | 2,080,991 |
| **Other inventories:** | | | | |
| Restaurant inventory | **47,807** | - | **47,807** | - |
| Shop inventory | **146,170** | - | **146,170** | - |
| Glassware and other equipment | **22,658** | - | **-** | - |
| Linen | **196,608** | - | **-** | - |
| Small equipment | **2,295** | - | **-** | - |
| | **1,871,691** | 2,080,991 | **1,650,130** | 2,080,991 |

**16.2** Included within inventories of property held for resale are borrowing costs for € 1,263,478 (2023: € 489,004).

**16.3** Inventories of property held for resale owned by the Company and the Group are subject to special hypothecs in favour of creditors for funds borrowed (see Notes 19 and 20).

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-current:** | | | | |
| Other capital costs receivable | **-** | 69,900 | **-** | 69,900 |
| Accrued capital costs refundable | **1,590,166** | 181,950 | **1,590,166** | 181,950 |
| | **1,590,166** | 251,850 | **1,590,166** | 251,850 |
| **Current:** | | | | |
| Trade receivables | **2,576,589** | 4,302,076 | **1,980,282** | 3,748,447 |
| Advances and other payments to related contractor | **5,395,206** | 29,317,295 | **5,395,206** | 29,317,295 |
| Deposits to suppliers | **91,497** | 790,808 | **31,000** | 715,808 |
| Other capital costs receivable | **972,210** | - | **972,210** | - |
| Other receivables | **107,621** | 86,641 | **50,876** | 9,809 |
| Accrued Income | **41,369** | - | **-** | - |
| Deferred bond related costs | **1,528,647** | 1,074,308 | **1,528,647** | 1,074,308 |
| Prepayments and deferred costs | **228,433** | 865,938 | **147,470** | 865,938 |
| Other taxes | **80,957** | - | **16,865** | - |
| Amounts receivable from related parties | **816,083** | 120,710 | **51,656** | 129,460 |
| Amounts receivable from associate | **3,255,425** | 2,855,471 | **3,255,425** | 2,855,471 |
| Amounts receivable from subsidiaries | **-** | - | **36,313,077** | 8,131,663 |
| | **15,094,037** | 39,413,247 | **49,742,714** | 46,848,199 |
| **Total trade and other receivables** | **16,684,203** | 39,665,097 | **51,332,880** | 47,100,049 |

**17.1** The Company's and the Group's exposure to credit risk related to trade and other receivables is disclosed in Note 25.3. 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 Company and the Group use 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.

**17.2** No provision for expected credit losses on the Company's trade receivables was considered necessary during the year, as trade receivables represent balances due by customers on the sale of property which shall fall due and settled on completion.

**17.3** 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.

**17. Trade and other receivables *(Contd.)***

**17.4** Accrued capital costs refundable and other capital costs receivable consist of works and capital expenditure carried out on third party restaurants within the Company's premises for which management has not yet called for reimbursement. Management believes that accrued capital costs refundable are not recoverable within one year whilst other capital costs receivable will be recovered within one year. Nonetheless, the directors consider the probability of default to be remote since the Company can keep these works and capital expenditure for itself in case of default. As a result, expected credit losses on these balances are deemed to not be material to the financial statements.

**17.5** As at 31 December 2024, advances and other prepayments include advance payments made by the Company and the Group to a related company, namely Mercury Contracting Projects Ltd. (hereinafter "MCPL"), for contracting works which MCPL will be delivering to the Company and the Group in the foreseeable future.

**17.6** Amounts due from related parties and subsidiary companies are interest free, unsecured and repayable on demand. Amounts receivable for the Company and the Group from related parties, subsidiaries and deposits held as guarantee are stated net of provisions for expected credit losses amounting to € Nil (2023: € 399,736). Movements in the provision for expected credit losses for the Company and the Group during the year amounted to € 399,736 which amount was credited to profit and loss account. The provision for expected credit losses was being taken on amounts due from associate undertakings which shareholding will be increased to subsidiaries and eventually merged with the Company in 2025 and thus the probability of default in payment is not considered to be material.

**18. Cash and cash equivalents**

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Bank balances | **786,742** | 361,386 | **272,133** | 39,157 |
| Funds held at third parties | - | 3,340,363 | - | 3,340,363 |
| Restricted cash | - | 20,295 | - | 20,295 |
| | **786,742** | 3,722,044 | **272,133** | 3,399,815 |
| Bank overdraft | **(1,567,021)** | (968,828) | **(1,027,017)** | (968,828) |
| Funds held at third parties | - | (3,340,363) | - | (3,340,363) |
| **Net cash and cash equivalents in the statement of financial position** | **(780,279)** | (587,147) | **(754,884)** | (909,376) |
| Restricted cash | - | (20,295) | - | (20,295) |
| **Cash and cash equivalents in the statement of cash flows** | **(780,279)** | (607,442) | **(754,884)** | (929,671) |

**18.1** Funds held at third parties in the comparative year represented proceeds from the bonds issued by a subsidiary company during 2023 and held by the security trustee. Such funds were retained by the security trustee and were to be released upon presentation of invoices from a related party contractor for development works on the construction of the Mercury Hotel for a subsidiary company, in line with the provisions of the prospectus dated 22 March 2022.

**18.2** The funds held by the security trustee in the comparative year formed part of the € 50 million loan advanced by a subsidiary to the Company, and which funds were deemed to have been constituted as part of the loan advanced from inception of the agreement dated 14 April 2022.

**18.3** The Company's and the Group's exposure to credit risk related to cash and cash equivalents is disclosed in Note 25.3. The directors do not consider having any credit risk exposure with respect to such balances, as these are all held with highly-rated institutions.

## 19. Capital and reserves

### 19.1 Share capital

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Authorized** | | | | |
| 20,500,000 Ordinary Shares of € 1 each | **20,500,000** | 20,500,000 | **20,500,000** | 20,500,000 |
| **Issued and Fully Paid Up** | | | | |
| 15,000,000 Ordinary Shares of € 1 each | **15,000,000** | 15,000,000 | **15,000,000** | 15,000,000 |

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.

### 19.2 Reserves

#### *19.2.1 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 independent architects, net of deferred taxation. Movements on revaluation are recognised directly under other comprehensive income.

#### *19.2.2 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 independent architects, net of deferred taxation.

### 19.3 Prior Year Adjustment

During the year under review, a subsidiary company identified that an intangible asset costing € 300,000 and on which amortisation of € 30,000 had been provided for in the previous year, was in actual fact the property of the Company and was still not put into use.

Accordingly, the Company and the Group have affected the necessary adjustments to the intangible assets by way of a prior year adjustment as follows:

**Group**

| | 2023 | Adjustments | **As Restated** |
|---|---|---|---|
| | Euro | Euro | **Euro** |
| **Assets** | | | |
| Intangible assets | 270,000 | 30,000 | **300,000** |
| **Equity** | | | |
| Retained earnings | (1,827,642) | (30,000) | **(1,857,642)** |

**Company**

| | 2023 | Adjustments | **As Restated** |
|---|---|---|---|
| | Euro | Euro | **Euro** |
| **Assets** | | | |
| Intangible assets | - | 300,000 | **300,000** |
| Trade and other receivables | 47,148,199 | (300,000) | **46,848,199** |

## 20. Interest bearing borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-current:** | | | | |
| Loan I advanced by subsidiary company | **-** | - | **11,500,000** | 11,500,000 |
| Loan II advanced by subsidiary company | **-** | - | **10,944,358** | 10,944,358 |
| Loan III advanced by subsidiary company | **-** | - | **50,000,000** | 50,000,000 |
| Loan IV advanced by subsidiary company | **-** | - | **20,000,000** | - |
| **Total interest bearing borrowings** | **-** | - | **92,444,358** | 72,444,358 |

**20.1** Loan I payable to the subsidiary, Mercury Projects Finance P.l.c. 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 immovable property of the Company.

**20.2** Loan III, also payable to the subsidiary, Mercury Projects Finance P.l.c. amounting to € 50,000,000 is subject to an annual interest rate of 4.50% and is repayable by 15 April 2032. This loan is guaranteed by immovable property of the Company and that of a subsidiary, namely Mercury Hotel Ltd.

**20.3** Loan IV, also payable to the subsidiary, Mercury Projects Finance P.l.c. amounting to € 20,000,000 is subject to an annual interest rate of 5.50% and is repayable by 25 August 2034. This loan is guaranteed by immovable property of the Company.

Upon consolidation, these intra-group balances are eliminated in accordance with accounting policy per Note 3.1.

## 21. Non-interest bearing borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-current:** | | | | |
| Advances from shareholder | **5,855,744** | - | **5,855,744** | - |
| **Total non-interest bearing borrowings** | **5,855,744** | - | **5,855,744** | - |

**21.1** The amounts due to the shareholder are unsecured, interest-free and have no fixed date of repayment. Following the year end, the shareholder has injected a further € 9 million into the Company, with the intention that these funds, together with other further injections to be made during 2025, be capitalized before the end of 2025.

## 22. Bonds payable

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **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 | **-** | - |
| 4.30% Bonds 2032 | **50,000,000** | 50,000,000 | **-** | - |
| 5.30% Bonds 2034 | **20,000,000** | - | **-** | - |
| | **92,500,000** | 72,500,000 | **-** | - |

**22.1** 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. These bonds are secured by a first general hypothec for an amount of € 25,874,845 on a number of specific areas within the Mercury Towers project managed by the Company.

**22.2** On 22 March 2022, Mercury Projects Finance P.l.c., the subsidiary, issued a further € 50,000,000 4.30% Secured Bonds of € 100 each, maturing in 2032. On 14 April 2022, the bond was fully subscribed and the proceeds from this bond issue were advanced by way of another loan facility to the Company for the purpose of construction and finishing of the hotel at the Mercury Towers project and for general corporate funding. This bond is guaranteed by the Company and secured by a first ranking special hypothec on the immoveable property of a subsidiary, namely Mercury Hotel Ltd., valued at € 62,130,000.

**22.3** On 25 July 2024, Mercury Projects Finance P.l.c., the subsidiary, issued a further € 20,000,000 5.3% secured bonds of € 100 each, maturing in 2034. On 26 August 2024, the bond was fully subscribed and the proceeds from this bond issue were advanced by way of another loan facility to the Company, for the purpose of finishing the last elements of the Mercury Towers project and also for the general corporate funding. This bond is guaranteed by the Company, Mercury Towers Ltd., and secured by a first ranking special hypothec on the immoveable property held by the Company.

**22.4** The quoted market price as at 31 December 2024 for the 3.75% Bonds was € 98.97 (2023: € 99.00) whilst the quoted market price of the 4.25% Bonds was € 99.85 (2023: € 99.50). The quoted market price of the 4.3% Bonds was € 100 (2023: € 98.30) whilst the quoted market price of the 5.3% Bonds was € 102.30.

## 23. Bank borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-current:** | | | | |
| Bank loan I | **15,227,338** | 16,700,000 | **15,227,338** | 16,700,000 |
| Bank loan II | **12,120,071** | 13,300,000 | **12,120,071** | 13,300,000 |
| Bank Loan V | **8,150,888** | 8,550,000 | **8,150,888** | 8,550,000 |
| Bank loan VI | **6,510,820** | 6,819,688 | **6,510,820** | 6,819,688 |
| Bank loan VII | **13,183,577** | 14,000,000 | **13,183,577** | 14,000,000 |
| Bank loan VIII | **-** | 8,100,000 | **-** | 8,100,000 |
| Bank loan IX | **9,441,332** | 5,980,047 | **9,441,332** | 5,980,047 |
| Bank loan X | **3,000,000** | - | **3,000,000** | - |
| Bank loan XI | **4,613,905** | - | **4,613,905** | - |
| | **72,247,931** | 73,449,735 | **72,247,931** | 73,449,735 |
| **Current:** | | | | |
| Bank loans | **14,008,849** | 8,913,532 | **14,008,849** | 8,913,532 |
| Bank overdrafts | **2,053,763** | 4,309,191 | **1,027,017** | 4,309,191 |
| | **16,062,612** | 13,222,723 | **15,035,866** | 13,222,723 |
| **Total bank borrowings** | **88,310,543** | 86,672,458 | **87,283,797** | 86,672,458 |

**23.1** As per sanction letter dated 2 December 2024, during the year the Company and the Group obtained new bank loans to further finance the development of various components of the Mercury Towers project and for general working capital requirements. The bank loans are secured by a special hypothec and a special privilege on the Company's and the Group's immovable property, a general hypothec on the Company's and the Group'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 5.4% per with the exception of Bank loan XI which is subject to the interest rate of 5.75% per annum. The loans are repayable as follows:

(i) Loan I amounting to € 16,282,010 (2023: € 16,700,000) is repayable by December 2036 by monthly installments of € 159,000 commencing on 31 January 2024 after a moratorium period of 2 years.

(ii) Loan II amounting to € 12,865,237 (2023: € 13,300,000) is repayable by December 2036 by monthly installments of € 127,000 commencing on 31 January 2024 after a moratorium period of 2 years.

(iii) Loan V amounting to € 8,550,000 (2023: € € 8,550,000) is repayable over a period of 14 years by monthly installments of € 82,000 commencing on 30 April 2025 including a moratorium period of 2 years.

(iv) Loan VI amounting to € 7,568,140 (2023: € 6,819,688) is repayable over a period of 8 years by monthly installments of € 120,000 commencing on 31 January 2024 including a moratorium period of 1 year.

(v) Loan VII amounting to € 13,891,394 (2023: € 14,000,000) is repayable by monthly installments of € 120,000 commencing on 30 September 2024 after a moratorium period of 1 year.

(vi) Loan VIII amounting to € 9,000,000 (2023: € 8,100,000) is repayable by 31 December 2025. Therefore this was all classified as current.

(vii) Loan IX amounting to € 10,000,000 (2023: € 5,980,047) is repayable over a period of 12 years by monthly installments of € 90,418 after a moratorium period of 1 year.

(viii) Loan X amounting to € 3,000,000 (2023: € Nil) is to be repaid in one bulk payment within 2 years from drawdown date, drawdown date being 25 March 2024.

(ix) Loan XI amounting to € 5,000,000 (2023: € Nil) is repayable over a period of 10 years by monthly installments of € 45,800 from February 2025.

## 24. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Non-Current:** | | | | |
| Other taxes | **279,944** | - | - | - |
| Other social taxes | **612,370** | - | **437,164** | - |
| | **892,314** | - | **437,164** | - |
| **Current:** | | | | |
| Trade payables | **1,840,430** | 942,415 | **1,092,248** | 772,025 |
| Amounts due to related contractor | **685** | 5,920,863 | **-** | - |
| Deposits received on promise of sale | **1,730,939** | 3,339,112 | **1,730,939** | 3,339,112 |
| Deposits received in advance | **60,856** | 239,166 | **-** | - |
| Deferred income | **-** | 235,318 | **-** | - |
| Other taxes | **234,756** | - | **-** | |
| Other social taxes | **327,350** | - | **210,406** | - |
| Contract liability | **2,991,450** | 2,246,450 | **2,991,450** | 2,246,450 |
| Accrued expenses | **3,235,656** | 4,400,931 | **3,372,257** | 4,660,258 |
| Other payables | **37,309** | 163,829 | **15,728** | 85,683 |
| Amounts due to related companies | **632,898** | - | **6,085** | - |
| Amounts due to subsidiary company | **-** | - | **303,329** | 43,182 |
| | **11,092,329** | 17,488,084 | **9,722,442** | 11,146,710 |
| **Total trade and other payables** | **11,984,643** | 17,488,084 | **10,159,606** | 11,146,710 |

**24.1** Other taxes due to the Commissioner for Tax and Customs are subject to be repaid within 3 years from February 2025.

**24.2** Other social taxes due to the Commissioner for Tax and Customs by the Company and one of the subsidiaries are to be repaid over a period of 3 years from April 2025.

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

**24.4** Amounts due to the subsidiary and related companies are interest free, unsecured and repayable on demand.

**24.5** The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

## 25. Financial risk management

### 25.1 Introduction and overview

The Company and the Group have exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

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

### 25.2 Risk management framework

The directors have overall responsibility for the establishment and oversight of the Company's and the Group's risk management framework. The Company's and the Group's risk management policies are established to identify and analyze the risks faced by the Company and 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 Company's and the Group's activities.

### 25.3 Credit risk

Credit risk is the risk of financial loss to the Company and the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In the case of the Company, credit risk arises principally from subsidiaries and associate companies' receivables. As for the Group, credit risk arises principally from trade receivables.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's and the Group's policy is to place cash with financial institutions of a high credit rating.

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Other receivables | **-** | - | **95,076,846** | 93,057,252 |
| Trade and other receivables | **16,684,203** | 39,665,097 | **51,332,880** | 47,100,049 |
| Cash and cash equivalents | **786,742** | 3,701,749 | **272,133** | 3,379,520 |
| | **17,470,945** | 43,366,846 | **146,681,859** | 143,536,821 |

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| Expected credit losses on trade and other receivables | **252,504** | 152 | **399,436** | 2,299 |

The Company's and the Group's credit risk on trade and other receivables arises mainly from amounts receivable from related parties.

**25. Financial risk management *(Contd.)***

**25.4 Credit risk *(Contd.)***

*Expected credit loss assessment for amounts receivable from related parties and subsidiaries*
As at 31 December 2024, the gross current carrying amount on the amounts receivable from related parties and subsidiaries for the Company amounts to € 47,639,752 (2023: € 11,116,594) and for the Group amounts to € 4,071,508 (2023: € 3,375,917). 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 Company's 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 2024.

| | **Equivalent to External Credit Rating** | **Gross Carrying Amount** | **Loss Allowance** | Gross Carrying Amount | Loss Allowance |
|---|---|---|---|---|---|
| | | **2024** | **2024** | 2023 | 2023 |
| | | **Euro** | **Euro** | Euro | Euro |
| Mercury Car Park Ltd. | **CCC/C** | **3,255,207** | **-** | 3,255,207 | (399,736) |

The provision for expected credit losses was being taken on amounts due from associate undertakings which shareholding will be increased to subsidiaries and eventually merged with the Company in 2025 and thus the probability of default in payment is not considered to be material.

The following table provides information about the Company's exposure to credit risk and loss allowance for amounts receivable from related parties as at 31 December 2024.

| | **Equivalent to External Credit Rating** | **Gross Carrying Amount** | **Loss Allowance** | Gross Carrying Amount | Loss Allowance |
|---|---|---|---|---|---|
| | | **2024** | **2024** | 2023 | 2023 |
| | | **Euro** | **Euro** | Euro | Euro |
| Mercury Car Park Ltd. | **CCC/C** | **3,255,207** | **-** | 3,255,207 | (399,736) |

*Expected credit loss assessment for bank guarantee pledged in favour of third parties*
In the comparative period, the Company's and the Group's bank guarantees pledged in favour of third parties represented a bank guarantee pledged in favour of the relevant authority in connection with the construction project being undertaken by the Company and the Group. The guarantee was released to the Company and the Group after completion of the development and upon confirmation that the conditions imposed by the relevant authority have been duly observed by the Company and the Group.

**25. Financial risk management *(Contd.)***

**25.4 Credit risk *(Contd.)***

***25.4.1 Cash and cash equivalents***

The Company and the Group held cash and cash equivalents of € 272,133 and € 786,742 respectively as at 31 December 2024. Cash and cash equivalents amounting to € 272,133 and € 786,742 respectively 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 Company and the Group in the credit institution 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 balances held by the Company and the Group amounting to € Nil (2023: € 3,360,658) have been measured on a 12-month expected loss basis, reflecting the short maturity of the exposure. The Company and the Group consider that this remaining balance of cash and cash equivalents has a low credit 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 2024 is € nil (2023: € nil).

**25.5 Liquidity risk**

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

***25.5.1 Management of liquidity risk***

The Company's and 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 Company's and the Group's reputation.

***25.5.2 Exposure to liquidity risk***

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

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

**Group**

| | Carrying Amount | Total | Within 12 Months | Between 1-5 Years | Over 5 Years |
|---|---|---|---|---|---|
| | **Euro** | **Euro** | **Euro** | **Euro** | **Euro** |
| **31 December 2024** | | | | | |
| Non-interest bearing borrowings | **5,855,744** | **5,855,744** | **-** | **-** | **5,855,744** |
| Bonds payable | **92,500,000** | **124,866,250** | **4,108,750** | **27,072,500** | **93,685,000** |
| Bank borrowings | **88,310,543** | **98,565,583** | **19,893,896** | **48,111,802** | **30,559,885** |
| Trade and other payables | **11,984,643** | **11,984,643** | **11,092,329** | **892,314** | **-** |
| | **198,650,930** | **241,272,220** | **35,094,975** | **76,076,616** | **130,100,629** |
| **31 December 2023** | | | | | |
| Bonds payable | 72,500,000 | 97,315,000 | 3,048,750 | 23,695,000 | 70,571,250 |
| Bank borrowings | 86,672,458 | 114,741,485 | 13,704,054 | 33,278,064 | 67,759,367 |
| Trade and other payables | 15,241,634 | 15,241,634 | 15,241,634 | - | - |
| | 174,414,092 | 227,298,119 | 31,994,438 | 56,973,064 | 138,330,617 |

## 25. Financial risk management *(Contd.)*

## 25.5 Liquidity risk *(Contd.)*

### *25.5.2 Exposure to liquidity risk (Contd.)*

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

**Company**

| | Carrying Amount | Total | Within 12 Months | Between 1-5 Years | Over 5 Years |
|---|---|---|---|---|---|
| | **Euro** | **Euro** | **Euro** | **Euro** | **Euro** |
| **31 December 2024** | | | | | |
| Interest bearing borrowings | **92,444,358** | **124,367,025** | **4,471,107** | **31,753,548** | **88,142,370** |
| Non-interest bearing borrowings | **5,855,744** | **5,855,744** | **-** | **-** | **5,855,744** |
| Bank borrowings | **87,283,797** | **97,538,837** | **18,867,150** | **48,111,802** | **30,559,885** |
| Trade and other payables | **10,159,606** | **10,159,606** | **9,722,442** | **437,164** | **-** |
| | **195,743,505** | **237,921,212** | **33,060,699** | **80,302,514** | **124,557,999** |
| **31 December 2023** | | | | | |
| Interest bearing borrowings | 72,444,358 | 98,573,183 | 3,370,828 | 23,997,072 | 71,205,283 |
| Bank borrowings | 86,672,458 | 114,741,485 | 13,704,054 | 33,278,064 | 67,759,367 |
| Trade and other payables | 8,900,260 | 8,900,260 | 8,900,260 | - | - |
| | 168,017,076 | 222,214,928 | 25,975,142 | 57,275,136 | 138,964,650 |

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

## 25.5 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 Company's and 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 optimizing the return on risk.

### *25.5.1 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 recognized in the statement of financial position.

The Company's and the Group's interest-bearing financial assets comprise cash at bank and the Company's and the Group's interest-bearing financial liabilities comprises borrowings, loan payable to a subsidiary and other payable. The Company's and 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 the reporting date would not have a significant impact on the Company's and the Group's profit or loss and equity as only the cash at bank is subject to a variable interest rate.

## 25. Financial risk management *(Contd.)*

### 25.5 Market risk *(Contd.)*

### *25.5.1 Interest rate risk (Contd.)*

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Fixed-rate instruments** | | | | |
| Bonds payable | **92,500,000** | 72,500,000 | **-** | - |
| Bank borrowings | **88,310,543** | 82,363,267 | **87,283,797** | 82,363,267 |
| Loans payable to subsidiary | **-** | - | **92,444,358** | 72,444,358 |
| | ======== | ======== | ======== | ======== |
| **Variable-rate instruments** | | | | |
| Bank balances | **2,053,763** | 4,309,191 | **1,027,017** | 4,309,191 |
| | ======== | ======== | ======== | ======== |

*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 Company's and the Group's equity and profit or loss by € 20,538 (2023: € 42,497) and € 10,270 (2023: € 39,275) respectively. 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.

### *25.5.2 Fair values versus carrying amounts*

The carrying amount of financial assets and liabilities that are measured at amortized cost approximates the fair value at the reporting date. The directors believe that the Company's and the Group's own credit risk and that of the 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.

### *25.5.3 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.

### 25.6 Capital management

The directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors' objectives are to safeguard the ability for the Company and the Group to continue as a going concern, so that they can continue to provide returns for shareholders and benefits other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The directors monitor the return on capital as well as the level of dividends to ordinary shareholders.

The Company and the Group are not subject to externally imposed capital requirements.

## 26. Related parties

### 26.1 Ultimate controlling party

The Company and the Group are wholly owned by Mr. Joseph Portelli, who is the ultimate controlling party.

### 26.2 Identity of related parties

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

### 26.3 Related party balances

Information on amounts due to/by related parties is set out in Notes 15, 17, 20, 21 and 24 to these financial statements.

### 26.4 Related party transactions carried out by the Group during the year

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Euro** | Euro | **Euro** | Euro |
| **Related Companies** | | | | |
| Sales to | **657,707** | - | **183,831** | - |
| Cost of construction - property | **(39,674,543)** | (61,864,658) | **(9,403,073)** | (17,510,795) |
| Cost of construction - inventories | **(3,978,651)** | (2,005,179) | **(3,978,651)** | (2,005,179) |
| Expenses recharged from | **(797)** | - | **(797)** | - |
| Net funds advanced by/(to) related contractor | **(5,920,178)** | 6,549,323 | **(23,922,089)** | 12,470,186 |
| Net funds advanced by/(to) other related parties | **23,859,397** | 327,440 | **47,927,849** | 489,756 |
| **Subsidiaries and Associated Companies** | | | | |
| Sales to | **-** | - | **185,505** | - |
| Acquisition of property from | **-** | (5,600,000) | **-** | (5,600,000) |
| Transfer of property to | **-** | - | **-** | 19,481,743 |
| Interest paid to | **-** | - | **(3,774,665)** | (3,370,829) |
| Reallocation of interest | **-** | - | **5,366,664** | 4,961,360 |
| Reallocation of operating costs | **-** | - | **-** | 595,299 |
| Reallocation of wages | **-** | - | **744,601** | - |
| Expenses recharged from | **-** | - | **(46,167)** | - |
| Loan advanced to | **-** | - | **20,000,000** | - |
| Net funds advanced by/(to) | **-** | - | **(35,940,861)** | (84,659,875) |
| **Shareholder** | | | | |
| Dividends paid to | - | (4,500,000) | **-** | (4,500,000) |
| Net funds advanced by | **5,855,744** | - | **5,855,744** | |

Amounts due to and from related parties are disclosed in Notes 15, 17, 20, 21 and 24 to these financial statements. The net movements on related companies' balances are shown in the cash flow statement.

The key management of the Company and the Group are considered to be the directors. The directors' remuneration for the Company and the Group have been disclosed in Note 7 to these financial statements.

## 27. Capital commitments

As at 31 December 2024, the Company and the Group accounted for costs amounting to € 264,425,724 (2023: € 224,999,735 on investment property and property, plant and equipment, some of which is currently still being finished, and € 1,871,691 (2023: € 2,080,991) on inventory (net of inventory sold as at year-end) which is also being finished. Both are part of the landmark project being built by the Company and the Group. As at the date of these financial statements, the Company and the Group currently expect to incur further costs on contracting works amounting to € 16.1 million (2023: € 32.1 million) in relation to investment property and a further € 1.9 million (2023: € 2.9 million) in relation to inventory being finished. These committed capital costs are based on budgets as at the reporting date and will fluctuate depending on actual costs incurred.

## 28. Contingent liabilities

At year end, the Company and the Group had the following contingent liabilities:

(i) The Company acts as the Guarantor in favour of the bond holders for the bonds issued by a subsidiary company amounting to € 92.5 million, through a first general hypothec on a number of specific areas within the Mercury Towers Complex;
(ii) A Group company is acting as surety to the bond holders in connection with a bond issue for € 50 million through a first ranking special hypothec on immoveable property of the subsidiary;
(iii) The Company has issued guarantees totalling € 620,732 in favour of third parties.

## 29. 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 2024.

## 30. Economic outlook

The directors are conscious of the turbulence in the international capital markets which the very recent introduction of widespread tariffs by the USA has caused. These measures and counter measures may lead to inflationary pressures. The evolving situation is being monitored closely.

## 31. Comparative figures

Certain comparative figures have been adjusted to conform to the current year’s presentation.

## 32. Subsequent events

### *32.1 Project update and handover of properties*

By the time of publication of these financial statements, all major construction and finishing works were concluded, bringing the project close to its completion. The remaining finishing works on the hotel tower and serviced apartments in the peripheral block are underway and are expected to be completed by the second half of the year. All commercial elements of the project are expected to be open and operational by the end of 2025. Handover of units in the tower and peripheral block has almost been completed.

### *32.2 Injections of funds*

After the year end, the shareholder has injected a further € 9 million into the Company, with the intention that these funds, together with other further injections to be made during 2025, be capitalized before the end of 2025.

### *32.3 Other*

The directors have evaluated other subsequent events since 31 December 2024 up to the date of approval of these financial statements and concluded that there were no subsequent events which require disclosure in the financial statements.

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## INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF MERCURY TOWERS LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*Opinion*
We have audited the individual financial statements of Mercury Towers Ltd. (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, the "Group") set out on pages 8 to 50, which comprise the statement of financial position of the Company and the Group as at 31 December 2024, 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.

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 2024, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*
We are independent of the Company and the Group 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.

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

The non-audit services that we have provided to the Company and the Group in the period from 1 January 2024 to 31 December 2024, are disclosed in Note 6 to the financial statements.

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF MERCURY TOWERS LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into consideration the structure of the Company and the Group, the accounting processes and controls, and the industry in which the Company and the Group operate.

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

The Company's and the Group's land and buildings, including mechanical and engineering equipment therein being disclosed within property, plant and equipment, and also within investment properties, are stated at fair values as revalued by EM Architects, who are external independent qualified valuers.

We identified the valuation of such immovable properties as a significant risk, requiring special audit consideration. Our audit procedures included appointing another independent architect for a second opinion on the valuation assumptions and methodologies adopted by the former architect. Based on the evidence and explanations and other empirical evidence obtained relating to the valuation of the property, we did not identify any material concerns on the reasonableness of the valuation and methodology applied by the architects in determining the valuation of the property.

*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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*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 and the Group 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.

- 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.

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# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF MERCURY TOWERS LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- 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.

*Other Matter – Use of this Report*

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

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

**Baker Tilly Malta**
*Registered Auditors*
Level 5
Rosa Marina Building
216, Marina Seafront
Pieta' PTA 9041
Malta

30 April 2025