



Smartcare Holdings Ltd

Report & Financial Statements

31 December 2021


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The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. He is also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditor**

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.



**Andrew Debattista Segond**  
Director

Registered address:  
326, Mdina Road  
Qormi -  
Malta

25 April 2022

## Director's report

The director presents his report and the audited financial statements for the year ended 31 December 2021.

### Principal activities

The principal activity of the company is to hold shares in group companies and interest in other companies.

### Review and results of business

During the year under review the company received gross dividend income from its subsidiary of € 25,400 (2020: € 30,769) resulting in a profit after tax of € 852 (2020: € 4,713) after taking into account administrative expenses and other financial items.

### Director

Mr Andrew Debattista Segond has served as director of the company during the year under review.

In accordance with the company's Articles of Association, the present director remains in office.

### Disclosure of information to the auditor

At the date of making this report, the director confirms the following:

- As far as the director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- The director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

### Statement of director's responsibilities

The Companies Act, Cap 386 requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing these financial statements, the director is required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and then 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.

## Income statement

|                            | Notes | 2021<br>€     | 2020<br>€     |
|----------------------------|-------|---------------|---------------|
| Dividend income            |       | 25,400        | 30,769        |
| Management fee income      |       | 7,412         | -             |
| Administrative expenses    |       | (20,990)      | (6,967)       |
| <b>Operating profit</b>    |       | <b>11,822</b> | <b>23,802</b> |
| Finance income             | 5     | 13,520        | 54,080        |
| Finance costs              | 5     | (15,600)      | (62,400)      |
| <b>Profit before tax</b>   | 6     | <b>9,742</b>  | <b>15,482</b> |
| Tax expense                | 7     | (8,890)       | (10,769)      |
| <b>Profit for the year</b> |       | <b>852</b>    | <b>4,713</b>  |

## Statement of financial position

|                           | Notes | 2021<br>€        | 2020<br>€        |
|---------------------------|-------|------------------|------------------|
| <b>Assets</b>             |       |                  |                  |
| <b>Non-current</b>        |       |                  |                  |
| Investment in subsidiary  | 8     | 249,999          | 249,999          |
| Loan receivable           | 9     | -                | 676,000          |
|                           |       | <b>249,999</b>   | <b>925,999</b>   |
| <b>Current</b>            |       |                  |                  |
| Receivables               | 10    | 2,195,656        | 2,382,540        |
| Cash and cash equivalents | 11    | 1,222            | 1,257            |
|                           |       | <b>2,196,878</b> | <b>2,383,797</b> |
| <b>Total assets</b>       |       | <b>2,446,877</b> | <b>3,309,796</b> |

## Statement of financial position (continued)

|                                     | Notes | 2021<br>€        | 2020<br>€        |
|-------------------------------------|-------|------------------|------------------|
| <b>Equity</b>                       |       |                  |                  |
| Share capital                       | 12    | 2,374,526        | 2,374,526        |
| Accumulated losses                  |       | (15,498)         | (16,350)         |
| <b>Total equity</b>                 |       | <b>2,359,028</b> | <b>2,358,176</b> |
| <b>Liabilities</b>                  |       |                  |                  |
| <b>Non-current</b>                  |       |                  |                  |
| Borrowings                          | 13    | -                | 780,000          |
| <b>Current</b>                      |       |                  |                  |
| Trade and other payables            | 14    | 87,849           | 171,620          |
|                                     |       | <b>87,849</b>    | <b>171,620</b>   |
| <b>Total liabilities</b>            |       | <b>87,849</b>    | <b>951,620</b>   |
| <b>Total equity and liabilities</b> |       | <b>2,446,877</b> | <b>3,309,796</b> |

The financial statements on pages 4 to 20 were approved, authorised for issue and signed by the director on 25 April 2022.

**Andrew Debattista Segond**  
 Director

## Statement of changes in equity

|                                 | Share<br>capital<br>€ | Accumulated<br>losses<br>€ | Total<br>equity<br>(deficit)<br>€ |
|---------------------------------|-----------------------|----------------------------|-----------------------------------|
| At 1 January 2020               | 1,200                 | (21,063)                   | (19,863)                          |
| <i>Transaction with owners:</i> |                       |                            |                                   |
| Issue of share capital          | 2,373,326             | -                          | 2,373,326                         |
| Profit for the year             | -                     | 4,713                      | 4,713                             |
| <b>At 31 December 2020</b>      | <b>2,374,526</b>      | <b>(16,350)</b>            | <b>2,358,176</b>                  |
| At 1 January 2021               | 2,374,526             | (16,350)                   | 2,358,176                         |
| Profit for the year             | -                     | 852                        | 852                               |
| <b>At 31 December 2021</b>      | <b>2,374,526</b>      | <b>(15,498)</b>            | <b>2,359,028</b>                  |



## Statement of cash flows

|   | Notes | 2021<br>€       | 2020<br>€        |
|---|-------|-----------------|------------------|
| <b>Cash flows from operating activities</b>                         |       |                 |                  |
| Profit before tax   |       | 9,742           | 15,482           |
| Adjustments   | 15    | (9,860)         | (22,449)         |
| Net changes in working capital                                      | 15    | 2,163           | (209,715)        |
| <b>Net cash flows generated (used in) from operating activities</b> |       | <b>2,045</b>    | <b>(216,682)</b> |
| <b>Cash flows from investing activity</b>                           |       |                 |                  |
| Interest received   |       | 13,520          | 77,934           |
| <b>Cash flows generated from investing activity</b>                 |       | <b>13,520</b>   | <b>77,934</b>    |
| <b>Cash flows from financing activities</b>                         |       |                 |                  |
| Proceeds from issue of share capital                                |       | -               | 200,000          |
| Interest paid   |       | (15,600)        | (62,400)         |
| <b>Net cash flows (used in) generated from financing activities</b> |       | <b>(15,600)</b> | <b>137,600</b>   |
| Net change in cash and cash equivalents                             |       | (35)            | (1,148)          |
| Cash and cash equivalents, beginning of the year                    |       | 1,257           | 2,405            |
| <b>Cash and cash equivalents, end of the year</b>                   | 11    | <b>1,222</b>    | <b>1,257</b>     |

## Notes to the financial statements

### 1 Nature of operations

Smartcare Holdings Ltd (the 'company') was incorporated on 7 January 2019. The principal activity of the company is the holding of shares and other ownership interests in other companies. The company serves as the ultimate holding company of the Smartcare Group of Companies.

### 2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

Smartcare Holdings Ltd, a private limited liability company, is incorporated and domiciled in Malta. The registered office is located at 326, Mdina Road, Qormi, Malta.

The ultimate beneficial owner of Smartcare Holdings Ltd is Mr Andrew Debattista Segond.

The company prepares consolidated financial statements which are filed together with these separate financial statements and are available for public inspection at the Malta Business Registry. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared in accordance with the requirements of IFRS, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and in accordance with the Companies Act, Cap 396.

The financial statements are presented in euro (€), which is also the functional currency of the company.

### 3 New or revised standards or interpretations

#### 3.1 New standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the company's financial results or position.

#### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the company.

Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to have a material impact on the company's financial statements.

#### **4 Summary of accounting policies**

##### **4.1 Overall considerations and presentation of financial statements**

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The accounting policies are consistent with those applied in previous years.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently, management has elected to present only an income statement.

##### **4.2 Income and expense recognition**

Dividend income from investments is recognised at the time the right to receive payment is established.

Management fee pertains to the administrative functions rendered by the company to its related parties.

Expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

##### **4.3 Foreign currency translation**

Foreign currency transactions are translated into the functional currency of the company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the income statement.

##### **4.4 Investment in subsidiary**

Investment in subsidiary is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Dividend income from investment in subsidiary is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investment in subsidiary to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in the income statement.

##### **4.5 Financial instruments**

###### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### **Classification and initial measurement of financial assets**

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The company does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance income and finance costs', except for impairment of receivables which is presented within 'impairment losses of financial assets'.

### **Subsequent measurement of financial assets**

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

### **Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other receivables.

The company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Classification and measurement of financial liabilities**

The company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance income' or 'finance costs'.

#### **4.6 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents comprise demand deposits with banks.

#### **4.8 Equity and dividend distributions**

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and prior period results as disclosed in the income statement less dividend distributions.

All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included with short-term financial liabilities when the dividends are approved in general meeting prior to the end of the reporting period.

#### **4.9 Provisions and contingent liabilities**

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the company and they can be measured reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as product warranties, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the company is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate of the management.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### **4.10 Significant management judgements in applying accounting policies and estimation uncertainties**

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

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

##### **Significant management judgements**

###### *Measurement of the expected credit losses*

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviours.

A number of significant judgements are required when measuring the expected credit loss, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing the number and relative weightings of forward-looking scenarios and associated ECL.

## 5 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

|   | 2021<br>€       | 2020<br>€       |
|---|-----------------|-----------------|
| Interest on loan due from a group company | 13,520          | 54,080          |
| <b>Finance income</b>                     | <b>13,520</b>   | <b>54,080</b>   |
| Interest on loan due to subsidiary        | (15,600)        | (62,400)        |
| <b>Finance costs</b>                      | <b>(15,600)</b> | <b>(62,400)</b> |

## 6 Profit before tax

The profit before tax is stated after charging:

|                        | 2021<br>€ | 2020<br>€ |
|------------------------|-----------|-----------|
| Auditor's remuneration | 1,600     | 1,500     |

## 7 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the company at 35% (2020: 35%) and the tax expense actually recognised in the income statement can be reconciled as follows:

|  | 2021<br>€      | 2020<br>€       |
|--|----------------|-----------------|
| Profit before tax                            | 9,742          | 15,482          |
| Tax rate                                     | 35%            | 35%             |
| <b>Expected tax expense</b>                  | <b>(3,410)</b> | <b>(5,419)</b>  |
| Adjustments for the tax effects of:          |                |                 |
| Non-deductible expenses                      | (4,752)        | (2,438)         |
| Interest expense (excess of interest income) | (728)          | (2,912)         |
| <b>Actual tax expense, net</b>               | <b>(8,890)</b> | <b>(10,769)</b> |
| <b>Comprising:</b>                           |                |                 |
| Current tax expense                          | (8,890)        | (10,769)        |

## 8 Investment in subsidiary

Movement in the company's investment in subsidiary is as follows:

|                       | 2021<br>€      | 2020<br>€      |
|-----------------------|----------------|----------------|
| At 1 January          | 249,999        | 101,599        |
| Additions             | -              | 1,913,000      |
| Disposals             | -              | (1,764,600)    |
| <b>At 31 December</b> | <b>249,999</b> | <b>249,999</b> |

At 31 December 2021 and 2020, Smartcare Holdings Ltd has investment in the following subsidiary:

| Name of company       | Description of shares      | % Holding |       | Nature of business            |
|-----------------------|----------------------------|-----------|-------|-------------------------------|
|                       |                            | 2021      | 2020  |                               |
| Smartcare Finance plc | Ordinary shares of €1 each | 99.99     | 99.99 | Financing and holding company |

At 31 December 2021 and 2020, the company has indirect investments in the companies mentioned below through its shareholding in Smartcare Finance plc:

| Name of company                 | Description of shares      | % Holding |      | Nature of business                                 |
|---------------------------------|----------------------------|-----------|------|--|
|                                 |                            | 2021      | 2020 |  |
| Smartcare Group Investments Ltd | Ordinary shares of €1 each | 100       | 100  | Holding company                                    |
| Smartcare Developments Limited  | Ordinary shares of €1 each | 100       | 100  | Non-trading  |
| Segond Boutique Hotels Limited  | Ordinary shares of €1 each | 100       | 100  | Non-trading; hotel services                        |
| Smartcare Pinto Limited         | Ordinary shares of €1 each | 100       | 100  | Care home service                                  |
| Smartcare Properties Limited    | Ordinary shares of €1 each | 100       | 100  | Acquisition of property for development and resale |

In 2020, the group carried out a restructuring exercise whereby the company transferred the majority of its subsidiaries to Smartcare Group Investments Ltd, a private limited liability company, incorporated on 23 October 2020 and domiciled in Malta.

The company retained its shareholding in Smartcare Finance p.l.c which currently owns 100% shareholding in Smartcare Group Investments Ltd.

The transfer of the subsidiaries were at a consideration equal to the cost of investment. No gain/loss was recognised in the income statement.

The registered addresses and principal place of business of the above mentioned companies is 326, Mdina Road Qormi.

## 9 Loan receivable

|                          | 2021 | 2020           |
|--------------------------|------|----------------|
|                          | €    | €              |
| Loan due from subsidiary | -    | <b>676,000</b> |

Loan due from subsidiary was unsecured, bore interest at 8% per annum and is repayable by 2029.

On 1 April 2021, the loan was assigned to one of its related group companies.



**10 Receivables**

|                                  | 2021<br>€        | 2020<br>€        |
|----------------------------------|------------------|------------------|
| Amounts due from related parties | 2,209,494        | 2,382,918        |
| Credit impairment loss           | (13,838)         | (378)            |
| <b>Total receivables</b>         | <b>2,195,656</b> | <b>2,382,540</b> |

Amounts due from group companies are unsecured, interest free and repayable on demand.

The carrying values of financial assets are considered a reasonable approximation of fair value.

All of the company's receivables have been reviewed for indicators of impairment. The expected credit loss is with respect to amounts due from related parties.

The movement in the expected credit losses is presented below:

|                                     | 2021<br>€     | 2020<br>€  |
|-------------------------------------|---------------|------------|
| At 1 January                        | 378           | 378        |
| Impairment loss on financial assets | 13,460        | -          |
| <b>At 31 December</b>               | <b>13,838</b> | <b>378</b> |

The company continuously monitors defaults of counterparties and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

The company's management considers that all the above financial assets that are not impaired or past due are of good credit quality.

**11 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position and statement of cash flow comprise the following:

|              | 2021<br>€ | 2020<br>€ |
|--------------|-----------|-----------|
| Cash at bank | 1,222     | 1,257     |

The company did not have any restrictions on its bank balances at year end.

**12 Share capital**

The share capital of Smartcare Holdings Ltd consists only of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meeting of the company.

|  | 2021<br>€ | 2020<br>€ |
|--|-----------|-----------|
| <b>Shares authorised, issued and fully paid at 31 December</b> |           |           |
| 2,374,526 Ordinary shares at € 1 each                          | 2,374,526 | 2,374,526 |

### 13 Borrowings

|                        | 2021<br>€ | 2020<br>€ |
|------------------------|-----------|-----------|
| Loan due to subsidiary | -         | 780,000   |

The loan due to subsidiary was unsecured, bore interest at 8% per annum and is repayable in 2029.

On 1 April 2021, the loan was assigned to one of its related group companies.

### 14 Trade and other payables

|   | 2021<br>€     | 2020<br>€      |
|---|---------------|----------------|
| Trade payables                              | 8,850         | 8,999          |
| Amount due to subsidiary                    | -             | 100,007        |
| Amounts due to group companies              | 67,564        | 57,802         |
| Amounts due to company under common control | 7,481         | 1,880          |
| Amount due to shareholder                   | -             | 926            |
| Accruals                                    | 3,954         | 2,006          |
| <b>Total trade and other payables</b>       | <b>87,849</b> | <b>171,620</b> |

Amounts due to subsidiary, group companies, company under common control and shareholder are unsecured, interest free and repayable on demand.

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

### 15 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and changes in working capital have been made to the profit (loss) before tax to arrive at operating cash flow:

|   | 2021<br>€      | 2020<br>€        |
|---|----------------|------------------|
| <b>Adjustments:</b>                       |                |                  |
| Interest on loan due to subsidiary        | 15,600         | 62,400           |
| Interest on loan due from a group company | (13,520)       | (54,080)         |
| Dividend income                           | (25,400)       | (30,769)         |
| Impairment loss on financial assets       | (13,460)       | -                |
|   | <u>(9,860)</u> | <u>(22,449)</u>  |
| <b>Net changes in working capital:</b>    |                |                  |
| Receivables                               | 85,934         | (619,675)        |
| Trade and other payables                  | (83,771)       | 409,960          |
|   | <u>2,163</u>   | <u>(209,715)</u> |

### 16 Related party transactions

All companies forming part of Smartcare Group of Companies, entities ultimately owned by Mr Andrew Debatista Segond and key management personnel are considered by the director to be related parties.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts due from/to related parties are shown separately in notes 9, 10, 13 and 14.

Details of transactions between the company and its related companies are disclosed below.

### 16.1 Transactions with related parties

|   | 2021   | 2020   |
|---|--------|--------|
|   | €      | €      |
| Interest expense on loan due to subsidiary  | 15,600 | 62,400 |
| Interest income on loan due from subsidiary | 13,520 | 54,080 |
| Re-charges from group companies             | 419    | 337    |

### 17 Risk management objectives and policies

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 17.4. The main types of risks are market risk, credit risk and liquidity risk.

The company's business involves taking on risks in a targeted manner and managing them professionally. The cost functions of the company's risk management are to identify all key risks for the company, measure these risks, manage the risk positions and determine capital allocations. Management regularly reviews the policies and systems in place to reflect changes in markets, products and best market practice. The company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance. The company defines risk as the possibility of losses or profits forgone, which may be caused by internal or external factors.

The most significant financial risks to which the company is exposed are described below.

#### 17.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the company.

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

|   | Notes | 2021             | 2020             |
|---|-------|------------------|------------------|
|   |       | €                | €                |
| <b>Classes of financial assets – carrying amounts</b> |       |                  |                  |
| - Loan receivable                                     | 9     | -                | 676,000          |
| - Receivables   | 10    | 2,195,656        | 2,382,540        |
| - Cash and cash equivalents                           | 11    | 1,222            | 1,257            |
|   |       | <u>2,196,878</u> | <u>3,059,797</u> |

Credit risk with respect to receivables is internally contained as the receivables are due from group companies with no past default experience and considered to be creditworthy counterparties. In view of this, management considers that the receivables are fully recoverable and not impaired.

The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk. None of the company's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with whom the company enjoys a healthy commercial relationship and has high quality external credit ratings.

Bank balances at year end are mainly held with a reputable local financial institution. Management considers that expected credit loss on bank balances is not significant.

The company applies IFRS 9 simplified model of recognising expected credit losses for all receivables as these items do not have significant financing component.

In measuring expected credit losses, the amounts due from related parties have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Based on the length of time a trade receivable is outstanding, counterparty's payment history as well as current and forward-looking information on macroeconomic factors affecting the counterparty's ability to pay, management concluded that the credit quality of trade receivables including those that are past due but not impaired to be good. The company provided for an expected credit loss on its related party balances amounting to € 13,838 (2020: € 378).

## 17.2 Liquidity risk

As at 31 December 2021 and 2020, the company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

|                          | Current<br>Within 1<br>year<br>€ | Non-current<br>2 to 5<br>years<br>€ | later than<br>5 years<br>€ |
|--------------------------|----------------------------------|-------------------------------------|----------------------------|
| <b>31 December 2021</b>  |                                  |                                     |                            |
| Trade and other payables | 87,849                           | -                                   | -                          |
|                          | <b>87,849</b>                    | -                                   | -                          |
| <b>31 December 2020</b>  | €                                | €                                   | €                          |
| Borrowings               | -                                | -                                   | 780,000                    |
| Interest on borrowings   | 62,400                           | 249,600                             | 274,047                    |
| Trade and other payables | 171,620                          | -                                   | -                          |
|                          | <b>234,020</b>                   | <b>249,600</b>                      | <b>1,054,047</b>           |

## 17.3 Market risk

### Foreign currency risk

The company transacts business mainly in euro and had no foreign currency denominated financial assets and liabilities at the end of the financial reporting period under review. Consequently, the company is not exposed to foreign currency risk.

### Interest rate risk

The company does not have any significant banking or other variable interest-bearing borrowing facilities and therefore is not subject to interest rate fluctuations.

#### 17.4 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows. See note 4.5 for explanations about how the category of financial instruments affects their subsequent measurement.

|  | Notes | 2021<br>€        | 2020<br>€        |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                |       |                  |                  |
| Financial assets at amortised cost:      |       |                  |                  |
| - Loan receivable                        | 9     | -                | 676,000          |
| <b>Current assets</b>                    |       |                  |                  |
| Financial assets at amortised cost:      |       |                  |                  |
| - Receivables                            | 10    | 2,195,656        | 2,382,540        |
| - Cash and cash equivalents              | 11    | 1,222            | 1,257            |
|  |       | <b>2,196,878</b> | <b>2,383,797</b> |
| <b>Non-current liabilities</b>           |       |                  |                  |
| Financial liabilities at amortised cost: |       |                  |                  |
| - Borrowings                             | 13    | -                | 780,000          |
| <b>Current liabilities</b>               |       |                  |                  |
| Financial liabilities at amortised cost: |       |                  |                  |
| - Trade and other payables               | 14    | 87,849           | 171,620          |

#### 18 Contingent liabilities

The company serves as a guarantor of Smartcare Finance p.l.c.'s debt securities in issue.

#### 19 Capital management policies and procedures

The company's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are:

- to safeguard the company's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Accordingly, the purpose of the company's capital management is essentially that of ensuring efficient use of capital taking cognisance of the company's risk appetite and profile as well as its objectives for business development.

#### 20 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the director.

## Independent auditor's report

To the shareholders of Smartcare Holdings Ltd

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Smartcare Holdings Ltd set out on pages 4 to 20 which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The director is responsible for the other information. The other information comprises the director's report shown on pages 2 to 3 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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 director's report, we also considered whether the director's report includes the disclosures required by Article 177 of the Act.

Based on the work we have 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 Act.

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

#### **Responsibilities of those charged with governance for the financial statements**

The director is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the director 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, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The director is responsible for overseeing the company's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the 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 the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**Report on other legal and regulatory requirements**

We also have responsibilities under the Companies Act, Cap 386 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; or
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Sharon Causon.



Sharon Causon (Partner) for and on behalf of

**GRANT THORNTON**  
**Certified Public Accountants**

Fort Business Centre  
Triq l-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

25 April 2022



## Income statement schedule

|                                      | 2021          | 2020          |
|--------------------------------------|---------------|---------------|
|                                      | €             | €             |
| <b>Revenue</b>                       |               |               |
| Dividend income                      | 25,400        | 30,769        |
| Management fee                       | 7,412         | -             |
| <b>Total revenue</b>                 | <u>32,812</u> | <u>30,769</u> |
| <b>Administrative expenses</b>       |               |               |
| Audit fee                            | 1,600         | 1,500         |
| Professional fees                    | 4,576         | 5,189         |
| Other expenses                       | 1,354         | 278           |
| Impairment loss on financial assets  | 13,480        | -             |
| <b>Total administrative expenses</b> | <u>20,990</u> | <u>6,967</u>  |
| <b>Finance income – net</b>          | <u>2,080</u>  | <u>8,320</u>  |
| <b>Profit before tax</b>             | <u>9,742</u>  | <u>15,482</u> |