# Smartcare Holdings Ltd

# Report & Consolidated Financial Statements

# 31 December 2021

Company registration number: C 90121

# Contents

# Director's report

The director presents his report and consolidated financial statements of Smartcare Holdings Ltd ('the company') and its subsidiaries ('the group') for the year ended 31 December 2021.

### Principal activities

The group is principally engaged in the operation of a care home and in acquiring properties for development and resale.

The company acts as a holding company of the Smartcare Group of Companies.

### Review of the business

The group revenue for the year ended 31 December 2021 amounted to € 2,819,042 (2020: € 2,590,114). The revenue was generated mainly from the retirement home in Qormi and sale of property.

The loss before tax amounted to € 185,920 (2020: € 24,127).

During the year, the group completed the construction of its hotel property and engaged an independent architect to revalue the hotel property. This resulted in a net gain on property revaluation of € 19,521.

The group used a net cashflow from operations of € 3,042,482 (2020: € 126,036) and invested € 2,178,919 (2020: € 2,602,003) in property, plant and equipment, investment property and intangibles. The main projects were the development of property in Xaghra, Gozo to develop a boutique hotel, which was completed during the year and a penthouse in Triq Stella Maris, Sliema.

Net assets stood at € 13,118,124 (2020: € 13,429,932) at 31 December 2021.

The director expects the group to grow in all its core business segments during 2022 and will continue as a going concern.

### Dividends

The director does not recommend the payment of a dividend.

### Director

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

In accordance with the group'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 group and of the profit or loss of the group 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 group will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable him to ensure that the financial statements comply with the Companies Act, Cap. 386 enacted in Malta. This responsibility includes designing, implementing, and maintaining such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The director is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditor

A resolution to appoint Grant Thornton as auditor of the group will be proposed at the forthcoming Annual General Meeting.

**Andrew Debattista Segond**
Director

Registered office:
326, Mdina Road
Qormi
Malta

25 April 2022

# Statement of comprehensive income

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | € | € |
| **Revenue** | 5 | **2,819,042** | **2,590,114** |
| Cost of sales | | (1,434,009) | (1,459,013) |
| **Gross profit** | | **1,385,033** | **1,131,101** |
| Other income | | 6,446 | 7,713 |
| Administrative expenses | | (1,007,166) | (885,799) |
| Finance costs | 7 | (554,097) | (277,142) |
| Impairment on financial assets | | (16,136) | - |
| **Loss before income tax** | 8 | **(185,920)** | **(24,127)** |
| Tax expense | 9 | (92,737) | (51,567) |
| **Loss for the year** | | **(278,657)** | **(75,694)** |
| **Other comprehensive (loss) income** | | | |
| *Items that will be reclassified subsequently to profit or loss:* | | | |
| Revaluation of property, plant and equipment | | 19,521 | 10,232,639 |
| Tax effect on revalued property, plant and equipment | 9 | (52,672) | (1,157,201) |
| **Other comprehensive (loss) income for the year** | | **(33,151)** | **9,075,438** |
| **Total comprehensive (loss) income for the year** | | **(311,808)** | **8,999,744** |

# Statement of financial position

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | € | € |
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 11 | 20,986,471 | 19,033,256 |
| Intangible assets | 12 | 13,120 | 11,848 |
| Goodwill | 10 | 310,707 | 310,707 |
| Deferred expenditure | 13 | - | 157,209 |
| | | **21,310,298** | **19,513,020** |
| **Current** | | | |
| Inventories | 14 | 4,513,722 | 2,372,562 |
| Trade and other receivables | 15 | 6,504,691 | 2,479,817 |
| Current tax asset | | 72,758 | - |
| Cash and cash equivalents | 16 | 143,340 | 27,271 |
| Other asset | 17 | 60,000 | 470,000 |
| | | **11,294,511** | **5,349,650** |
| **Total assets** | | **32,604,809** | **24,862,670** |
| **Equity** | | | |
| Share capital | 18 | 2,374,526 | 2,374,526 |
| Revaluation reserves | | 11,500,880 | 11,560,525 |
| Accumulated losses | | (757,282) | (505,119) |
| **Total equity** | | **13,118,124** | **13,429,932** |
| **Liabilities** | | | |
| **Non-current** | | | |
| Borrowings | 19 | 1,178,416 | 2,693,690 |
| Debt securities in issue | 20 | 12,423,994 | 4,873,490 |
| Deferred tax liabilities | 9 | 1,099,747 | 1,009,785 |
| Payables | | 100,281 | 107,865 |
| | | **14,802,438** | **8,684,830** |
| **Current** | | | |
| Borrowings | 19 | 518,702 | 763,657 |
| Trade and other payables | 21 | 4,048,162 | 1,957,925 |
| Current tax payable | | 117,383 | 26,326 |
| | | **4,684,247** | **2,747,908** |
| **Total liabilities** | | **19,486,685** | **11,432,738** |
| **Total equity and liabilities** | | **32,604,809** | **24,862,670** |

The financial statements on pages 4 to 30 were approved, authorised for issue and signed by the director on 25 April 2022.

**Mr Andrew Debattista Segond**
Director

# Statement of changes in equity

| | Share capital € | Revaluation reserve € | Accumulated losses € | Total € |
|---|---|---|---|---|
| At 1 January 2020 | 1,200 | 2,511,581 | (455,919) | 2,056,862 |
| *Transaction with owners:* | | | | |
| Issue of share capital | 2,373,326 | - | - | 2,373,326 |
| Loss for the year | - | - | (75,694) | (75,694) |
| Other comprehensive income | - | 9,075,438 | - | 9,075,438 |
| Excess depreciation | - | (26,494) | 26,494 | - |
| **At 31 December 2020** | **2,374,526** | **11,560,525** | **(505,119)** | **13,429,932** |
| At 1 January 2021 | 2,374,526 | 11,560,525 | (505,119) | 13,429,932 |
| Loss for the year | - | - | (278,657) | (278,657) |
| Other comprehensive loss | - | (33,151) | - | (33,151) |
| Excess depreciation | - | (26,494) | 26,494 | - |
| **At 31 December 2021** | **2,374,526** | **11,500,880** | **(757,282)** | **13,118,124** |

# Statement of cash flows

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | € | € |
| **Operating activities** | | | |
| Loss before tax | | (185,920) | (24,127) |
| Adjustments | 22 | 870,104 | 531,079 |
| Net changes in working capital | 22 | (3,689,517) | (623,137) |
| Taxes paid | | (37,149) | (9,851) |
| **Net cash used in operating activities** | | **(3,042,482)** | **(126,036)** |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 11 | (2,168,571) | (2,602,003) |
| Acquisition of intangible assets | 12 | (10,348) | - |
| **Net cash used in investing activities** | | **(2,178,919)** | **(2,602,003)** |
| **Financing activities** | | | |
| Proceeds from issue of share capital | | - | 200,000 |
| Proceeds from issue of bond | | 7,651,796 | - |
| Proceeds from bank borrowings | | 335,092 | 2,553,700 |
| Payment of bank borrowings | | (2,377,617) | - |
| Interest paid | | (554,097) | (262,130) |
| **Net cash generated from financing activities** | | **5,055,174** | **2,491,570** |
| Net change used in cash and cash equivalents | | (166,227) | (236,469) |
| Cash and cash equivalents, beginning of the year | | (209,135) | 27,334 |
| **Cash and cash equivalents, end of the year** | 16 | **(375,362)** | **(209,135)** |

# Notes to the consolidated financial statements

## 1 Nature of operations

The group is principally engaged in the operations of a care home and in acquiring properties for development and resale.

The company acts as a holding company of the Smartcare Group of Companies.

## 2 Basis of preparation

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

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

The financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'group' and individually as 'group entities'). Smartcare Holdings Ltd prepares consolidated financial statements of the group, which are filed and are available for public inspection at the Malta Business Registry.

The consolidated financial statements of the group have been prepared in accordance with IFRS as issued by the International Accounting Standards and Board (IASB) and as adopted by the European Union (EU), and in accordance with Companies Act, Cap 386.

### 2.2 Basis of measurement

Assets and liabilities are measured at historical cost except for land, building and mechanical and electrical installations forming part of property, plant and equipment which are stated at their fair values.

### 2.4 Functional and presentation currency

These financial statements are presented in euro (€), which is also the group's functional currency.

### 2.5 Consideration of the effects of COVID-19

In light of the events relating to COVID-19, which has had a material effect on all aspects of life, the group's position was that the health and well-being of Dar Pinto's (care home) residents and its employees was and will remain the paramount concern of the group.

The group through its operations in the care home played an important role in this delicate and difficult situation. Throughout the year, the care home was running at a high capacity, except for a limited period of time at the beginning of the year when COVID-19 negatively affected the care home. It was also a priority to make sure to adhere to all policies and measures as were issued from time to time by the health authorities and implement all necessary preventive measures to protect its residents and employees.

The director continues to monitor the situation closely and albeit having a cautious outlook, he believes that the worst has now been surpassed. The director considers the going concern assumption in the preparation of the consolidated financial statements as appropriate as at the date of authorisation.

No adjustments arising from uncertainties brought about by the pandemic were necessary to be made in these consolidated financial statements.

## 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 group'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 group

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 group.

Management anticipates that all relevant pronouncements will be adopted in the group'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 group's financial statements.

## 4 Significant accounting policies

### 4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The accounting policies have been consistently applied by the group during the period under review.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The group has elected to present the statement of profit and loss and other comprehensive income in one statement.

### 4.2 Basis of consolidation

#### 4.2.1 Business combinations

IFRS as adopted by the EU requires business combinations to be accounted for using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### 4.2.2 Subsidiaries

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

The consolidated financial statements have been prepared from the financial statements of the following companies comprising the group:

| Name of company | Nature of business | % ownership 2021 | % ownership 2020 |
|---|---|---|---|
| Smartcare Holdings Ltd | Holding company | - | - |
| Smartcare Finance p.l.c. | Financing and holding company | 99.99 | 99.99 |
| Smartcare Group Investment Ltd | Holding company | 100 | 100 |
| Smartcare Developments Limited | Non-trading | 100 | 100 |
| Segond Boutique Hotels Limited | Non-trading | 100 | 100 |
| Smartcare Pinto Limited | Care home service | 100 | 100 |
| Smartcare Properties Limited | Develop and sell property | 100 | 100 |

The registered addresses of the above-mentioned companies is 326, Mdina Road Qormi.

#### 4.2.3 Transactions eliminated on consolidation

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

### 4.3 Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group entities at exchange rates at the dates of the transactions.

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

### 4.4 Revenue

Revenue is mainly derived from services from care home and sale of property.

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The group often enters into transactions involving a range of care home services and property sales. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other payables in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### 4.5 Operating expenses

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

### 4.6 Employee benefits

The group contributes towards the state pension in accordance with local legislation. Obligations for such contributions are recognised as an expense in profit or loss when they are due.

### 4.7 Borrowing costs

Borrowing costs primarily comprise interest on the group's borrowings. Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings.

Other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

### 4.8 Intangible assets

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised.

The annual rate used to amortise the asset, which is consistent with that applied in the previous year is 25%.

The amortisation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use of disposal. Gains and losses arising 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.

### 4.9 Property, plant and equipment

All property, plant and equipment used by the group is initially recorded at historical cost, including transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to acquisition of the item.

Land, buildings and mechanical and electrical installations are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings and mechanical and electrical installations. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Increases in carrying amount arising on revaluation of land, buildings and mechanical and electrical installations are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, on the following bases:

| | % |
|---|---|
| Buildings | 2 |
| Mechanical and electrical | 7-8 |
| Hardware | 17-20 |
| Medical equipment | 17-20 |
| Furniture and fittings | 10-11 |
| Motor vehicles | 20 |
| Other equipment | 20-25 |

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets in the course of construction are not depreciated until such time that the assets are completed and available for use.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amoung is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### 4.10 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the group, and the cost of the property can be reliably measured. Investment property is initially measured at cost, including transaction costs, less impairment losses.

After initial recognition, investment property is measured using the fair value model, with changes in fair value above the historical cost of the investment property being recognised in a separate component of equity under the heading of revaluation reserve.

Rental income, if any, and operating expenses from investment property are reported with 'revenue' and 'administrative expenses', respectively.

### 4.11 Goodwill

Goowill represents the future economic benefits arising from an acquisition of a business that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

### 4.12 Impairment testing on goodwill, property plant and equipment and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business acquisition and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash generating units reduce first the carrying amount of goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

## 4.13 Inventories

Inventories consist of properties held for resale, which are stated at lower of cost and estimated realisable value. Cost includes the acquisition of the property and developments costs incurred. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in commissions.

## 4.14 Financial instruments

### Recognition and derecognition

Financial assets and financial liabilities are recognised when the group 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

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all 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).

In the periods presented, the group does not have any financial assets categorised at FVTPL and FVOCI.

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 profit or loss are presented within 'finance expense' or 'finance income', except for impairment of trade receivables which is presented in 'impairment on 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. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

### 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 debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, 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.

### Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses their historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

### Classification and measurement of financial liabilities

The group's financial liabilities include borrowings, debt securities in issue and trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the group 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 costs' or 'finance income'.

### 4.15 Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised 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 they 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.

### 4.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Bank overdrafts and balance overdrawn, which are repayable on demand and form an integral part of the group's cash management, are a component of cash and cash equivalents for the purpose of the cash flow statement and are presented in current liabilities in the statement of financial position.

### 4.17 Equity, reserves and dividend distributions

Share capital is determined using 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.

The revaluation reserve represents the surpluses arising on the revaluation of the group's care home which includes land, building and mechanical and electrical installations, net of related deferred tax effects.

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

### 4.18 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the group 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 reporting date, including the risks and uncertainties associated 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 group 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.

### 4.19 Significant management judgement in applying accounting policies and estimation uncertainty

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 director, 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

*Recognition of deferred taxes*

The extent to which deferred taxes can be recognised is based on an assessment of the probability of the group's future taxable income against which the deferred taxes can be utilised (see note 4.15).

*Measurement of the expected credit losses*

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost 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 in measurement of ECL, 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.

#### Estimation uncertainty

*Impairment of property, plant and equipment, goodwill and intangible assets*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

*Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the above-mentioned factors.

*Fair value measurement*

Management uses observable data to determine the fair value of property, plant and equipment. Estimated fair values may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

## 5 Revenue

| | 2021 | 2020 |
|---|---|---|
| | € | € |
| Revenue from care home | 2,589,042 | 2,380,114 |
| Revenue from sale of property | 230,000 | 210,000 |
| | **2,819,042** | **2,590,114** |

## 6 Staff costs

| | 2021 | 2020 |
|---|---|---|
| | € | € |
| Wages and salaries | 1,390,499 | 1,226,908 |
| Social security costs | 95,090 | 81,476 |
| Director's remuneration | 126,090 | 123,934 |
| Recharges to companies under common control | (316,321) | (238,116) |
| | **1,295,358** | **1,194,202** |
| Average number of employees | **67** | **62** |

## 7 Finance costs

Finance costs may be analysed as follows:

| | 2021 | 2020 |
|---|---|---|
| | € | € |
| Interest on debt securities in issue | 471,749 | 250,000 |
| Amortisation of bond issue cost | 55,918 | 15,012 |
| Interest on bank borrowings | 8,122 | 6,238 |
| Other interest | 18,308 | 5,892 |
| | **554,097** | **277,142** |

## 8 Loss before income tax

The loss before income tax is stated after charging:

| | 2021 | 2020 |
|---|---|---|
| | € | € |
| Amortisation on intangible assets | 9,076 | 9,076 |
| Depreciation on property, plant and equipment | 234,877 | 244,861 |
| Auditor's remuneration | 19,275 | 17,000 |
| Director's remuneration | 126,090 | 123,934 |

## 9 Income tax

### Tax expense

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

| | 2021 | 2020 |
|---|---|---|
| | € | € |
| Loss before tax | (185,920) | (24,127) |
| Tax rate | 35% | 35% |
| **Expected tax expense** | **65,072** | **8,444** |
| Non-deductible expenses | (77,344) | (21,569) |
| Non-taxable income | 7,524 | 494 |
| Difference on property transfer and acquisition value | 39,706 | (22,094) |
| Other permanent difference | (1,422) | (21,588) |
| Under provision of deferred taxes | - | 40,457 |
| Intra-group profits | (126,273) | (35,711) |
| **Actual tax (expense) income, net** | **(92,737)** | **(51,567)** |
| **Comprising:** | | |
| Current tax | (55,447) | (36,177) |
| Deferred tax | (37,290) | (15,390) |
| | **(92,737)** | **(51,567)** |

### Deferred tax asset (liabilities)

The company's deferred taxes arising from temporary differences are summarised as follows:

| | 1 January 2021 | Recognised in profit or loss | Recognised directly in equity | 31 December 2021 |
|---|---|---|---|---|
| | € | € | € | € |
| **Non-current assets** | | | | |
| Property, plant and equipment | (4,668) | 8,589 | - | 3,921 |
| **Current assets** | | | | |
| Trade and other receivables | 2,716 | 2,217 | - | 4,933 |
| **Unused tax losses and unabsorbed capital allowances** | 149,368 | (48,096) | - | 101,272 |
| **Revaluation of property, plant and equipment** | (1,157,201) | - | (52,672) | (1,209,873) |
| **Total** | **(1,009,785)** | **(37,290)** | **(52,672)** | **(1,099,747)** |

Deferred taxes for the comparative periods can be summarised as follows:

| | 1 January 2020 € | Recognised in profit or loss € | Recognised directly in equity € | 31 December 2020 € |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | (10,657) | 5,989 | - | (4,668) |
| **Current assets** | | | | |
| Trade and other receivables | - | 2,716 | - | 2,716 |
| **Unused tax losses and unabsorbed capital allowances** | 173,463 | (24,095) | - | 149,368 |
| **Revaluation of property, plant and equipment** | - | - | (1,157,201) | (1,157,201) |
| **Total** | **162,806** | **(15,390)** | **(1,157,201)** | **(1,009,785)** |

## 10 Goodwill

In 2019, the group acquired Smartcare Pinto Ltd from a related party. The details of the business combination are as follows:

| | € |
|---|---|
| **Consideration paid** | **1,200** |
| **Less:** | |
| Intangible assets | 14,181 |
| Property, plant and equipment | 2,467,156 |
| Trade and other receivables | 176,494 |
| Trade and other payables | (2,967,338) |
| **Net liabilities taken over** | **(309,507)** |
| **Goodwill** | **310,707** |

## 11 Property, plant and equipment

Details of the group's property, plant and equipment and their carrying amounts are as follows:

| | Land | Buildings | Mechanical & electrical installations | Medical equipment | Furniture and fittings | Hardware | Motor vehicles | Other equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € | € |
| **Cost** | | | | | | | | | | |
| At 1 January 2020 | 3,903,627 | 200,773 | 525,000 | 750,000 | 173,000 | 72,000 | 11,824 | 52,000 | 988,555 | 6,676,779 |
| Additions | - | 9,535 | - | - | - | - | - | 10,838 | 2,581,630 | 2,602,003 |
| Revaluation increase | 10,161,065 | - | - | - | - | - | - | - | - | 10,161,065 |
| **At 31 December 2020** | **14,064,692** | **210,308** | **525,000** | **750,000** | **173,000** | **72,000** | **11,824** | **62,838** | **3,570,185** | **19,439,847** |
| **Depreciation** | | | | | | | | | | |
| At 1 January 2020 | - | 4,061 | 38,503 | 143,998 | 18,515 | 13,823 | 2,365 | 12,039 | - | 233,304 |
| Depreciation | - | 4,073 | 52,590 | 141,681 | 18,512 | 13,601 | 2,365 | 12,039 | - | 244,861 |
| Revaluation increase | - | (6,731) | (64,843) | - | - | - | - | - | - | (71,574) |
| **At 31 December 2020** | **-** | **1,403** | **26,250** | **285,679** | **37,027** | **27,424** | **4,730** | **24,078** | **-** | **406,591** |
| **Cost** | | | | | | | | | | |
| At 1 January 2021 | 14,064,692 | 210,308 | 525,000 | 750,000 | 173,000 | 72,000 | 11,824 | 62,838 | 3,570,185 | 19,439,847 |
| Additions | 925,951 | 206,981 | - | - | 503,619 | - | 12,800 | 289,568 | 229,652 | 2,168,571 |
| Reclassifications | 1,030,332 | 2,637,447 | - | - | - | - | - | - | (3,667,779) | - |
| Revaluation increase | 19,521 | - | - | - | - | - | - | - | - | 19,521 |
| **At 31 December 2021** | **16,040,496** | **3,054,736** | **525,000** | **750,000** | **676,619** | **72,000** | **24,624** | **352,406** | **132,058** | **21,627,939** |
| **Depreciation** | | | | | | | | | | |
| At 1 January 2021 | - | 1,403 | 26,250 | 285,679 | 37,027 | 27,424 | 4,730 | 24,078 | - | 406,591 |
| Depreciation | - | 4,060 | 40,059 | 141,681 | 18,512 | 13,601 | 4,925 | 12,039 | - | 234,877 |
| **At 31 December 2021** | **-** | **5,463** | **66,309** | **427,360** | **55,539** | **41,025** | **9,655** | **36,117** | **-** | **641,468** |
| **Carrying amount** | | | | | | | | | | |
| **At 31 December 2020** | **14,064,692** | **208,905** | **498,750** | **464,321** | **135,973** | **44,576** | **7,094** | **38,760** | **3,570,185** | **19,033,256** |
| **At 31 December 2021** | **16,040,496** | **3,049,273** | **458,691** | **322,640** | **621,080** | **30,975** | **14,969** | **316,289** | **132,058** | **20,986,471** |

The carrying amounts of the land, buildings and mechanical and electrical installations if the cost model had been used would be € 7,749,685 (2020: € 2,125,068).

## 12 Intangible assets

| | Software €|
|---|---|
| **Cost** | |
| **At 1 January / 31 December 2020** | **30,000** |
| **Amortisation** | |
| At 1 January 2020 | 9,076 |
| Charge for the year | 9,076 |
| **At 31 December 2020** | **18,152** |
| **Cost** | |
| At 1 January 2021 | 30,000 |
| Additions | 10,348 |
| **At 31 December 2021** | **40,348** |
| **Amortisation** | |
| At 1 January 2021 | 18,152 |
| Charge for the year | 9,076 |
| **At 31 December 2021** | **27,228** |
| **Carrying amount** | |
| **At 31 December 2020** | **11,848** |
| **At 31 December 2021** | **13,120** |

## 13 Deferred expenditure

Deferred expenditure pertains to the costs incurred on the bond issued in 2021. These costs formed part of the bond issue costs, and will be amortised over the lifetime of the bond starting from financial year ending 31 December 2021 as set out in note 20.

## 14 Inventories

| | 2021 € | 2020 € |
|---|---|---|
| Work in progress | **4,513,722** | **2,372,562** |

Inventories include properties held for development and sale in Malta and Gozo.

## 15 Trade and other receivables

| | 2021 € | 2020 € |
|---|---|---|
| Trade receivables | 229,510 | 114,169 |
| Amounts due from companies under common control | 4,091,310 | 1,754,365 |
| Credit impairment loss | (17,971) | (1,835) |
| | **4,302,849** | **1,866,699** |
| Accrued income | 343,737 | 189,139 |
| **Financial assets at amortised cost** | **4,646,586** | **2,055,838** |
| Other receivable | 104,232 | 65,200 |
| Prepayments | 1,732,547 | 357,087 |
| VAT receivable | 21,326 | 1,692 |
| **Total trade and other receivable** | **6,504,691** | **2,479,817** |

Amounts due from companies under common control are unsecured, interest-free and are repayable upon demand.

All amounts are short-term. The carrying values of financial assets are considered a reasonable approximation of fair value.

All of the group's trade and other receivables have been reviewed for indicators of impairment. The impaired trade receivables were with respect to amounts due from related parties.

The movement in the expected credit losses is presented below:

| | 2021 € | 2020 € |
|---|---|---|
| At 1 January | 1,835 | 1,835 |
| Impairment loss on financial assets | 16,136 | - |
| **At 31 December** | **17,971** | **1,835** |

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

The group's management considers that all the above financial assets that are not impaired or past due for each reporting dates under review are of good credit quality.

## 16 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

| | 2021 € | 2020 € |
|---|---|---|
| Cash on hand and at bank | 143,340 | 27,271 |
| **Cash and cash equivalents in the statements of financial position** | **143,340** | **27,271** |
| Bank overdrafts and bank balance overdrawn | (518,702) | (236,406) |
| **Cash and cash equivalents in the statements of cash flows** | **(375,362)** | **(209,135)** |

The group did not have restrictions on its cash and bank balances at year-end.

## 17 Other asset

On 11 September 2020, Smarthomes Development Ltd, a company under common control, assigned its rights on a promise of sale over a property in Hamrun to the company for a consideration of € 470,000.

On 31 August 2021, Smartcare Properties Ltd, a group company, deposited a sum of € 60,000 to secure a lease in Tower Road, Sliema.

## 18 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' meetings of the group.

| | 2021 € | 2020 € |
|---|---|---|
| **Shares authorised, issued and fully paid at 31 December** | | |
| 2,374,526 Ordinary shares at € 1 each | **2,374,526** | **2,374,526** |

## 19 Borrowings

| | 2021 € | 2020 € |
|---|---|---|
| Bank loans | 1,178,416 | 3,220,941 |
| Bank overdraft / balance overdrawn | 518,702 | 236,406 |
| | **1,697,118** | **3,457,347** |
| **Comprising:** | | |
| Current | 518,702 | 763,657 |
| Non-current | 1,178,416 | 2,693,690 |
| | **1,697,118** | **3,457,347** |

Bank loans are secured by general and special hypothec over the assets of Segond Boutique Hotels Ltd and Smartcare Developments Ltd, a pledge over insurance policies and by guarantees given by the two companies and the director. The current interest rates vary between 4.5% and 5% per annum.

The group has a bank overdraft facility of € 600,000 (2020: € 300,000). This facility is secured by special and general hypothecs over the company's assets, and by guarantees given by related companies. It bears interest at 4.5% (2020: 5%) per annum.

## 20 Debt securities in issue

| | 2021 € | 2020 € |
|---|---|---|
| Opening balance | 5,000,000 | - |
| Bond issue during the year | 13,000,000 | 5,000,000 |
| Redemption of bond | (5,000,000) | - |
| Bond issue costs | (655,531) | (150,117) |
| Amortisation of bond issue costs | 79,525 | 23,607 |
| | **12,423,994** | **4,873,490** |

At year end, the group had a balance of € 12,423,994 (2020: € 4,873,491) from the bond issue of € 13 million 4.65% bonds of €100 nominal value each, redeemable at par in 2031. During 2021, the € 5 million bonds on Prospects MTF were redeemed and € 13 million bonds was raised. Consequently, the amount as at 31 December 2021 is made up of the bond issue of € 13 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 22 April of each year at the above-mentioned rate. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are jointly guaranteed by Smartcare Pinto Ltd and Smartcare Holdings Ltd.

At the end of the current reporting period, bonds with a face value of € 25,500 were held by a director.

## 21 Trade and other payables

| | 2021 € | 2020 € |
|---|---|---|
| Trade payables | 1,074,731 | 677,871 |
| Amounts due from companies under common control | 339,819 | 65,512 |
| Amount due to shareholder | - | 926 |
| Accruals | 1,288,543 | 215,865 |
| **Financial liabilities at amortised cost** | **2,703,093** | **960,174** |
| Deferred income | 680,950 | 543,400 |
| Other payables | 764,400 | 562,216 |
| **Total trade and other payables** | **4,148,443** | **2,065,790** |
| | | |
| **Comprising:** | | |
| **Non-current** | | |
| Other payables | **100,281** | **107,865** |
| | | |
| **Trade and other payables - current** | **4,048,162** | **1,957,925** |

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

Amounts due from companies under common control and shareholder are unsecured, interest free and are repayable on demand.

## 22 Cash flow adjustments and changes in working capital

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

| | 2021 € | 2020 € |
|---|---|---|
| **Adjustments:** | | |
| Depreciation on property plant and equipment | 234,877 | 244,861 |
| Amortisation on intangible assets | 9,076 | 9,076 |
| Amortisation of bond issue costs | 55,918 | 15,012 |
| Interest expense | 554,097 | 262,130 |
| Impairment loss on financial assets | 16,136 | - |
| | **870,104** | **531,079** |
| **Net changes in working capital:** | | |
| Inventories | (2,141,160) | (1,549,593) |
| Trade and other receivables | (3,631,010) | (2,544,989) |
| Trade and other payables | 2,082,653 | 3,471,445 |
| | **(3,689,517)** | **(623,137)** |

## 23 Related party transactions

The group's ultimate controlling party is Mr Andrew Debattista Segond who owns 100% of its share capital.

All companies forming part of Smartcare Group of Companies, entities under common control and key management personnel are considered by the director to be related parties. Director's remuneration is disclosed in note 8.

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 companies under common control are shown separately in notes 15 and 21.

## 24 Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 24.4. The main types of risks are credit risk, liquidity risk and market risk.

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

The most significant risk to which the group is exposed to are described below.

### 24.1 Credit risk

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

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

| | Notes | 2021 € | 2020 € |
|---|---|---|---|
| **Classes of financial assets – carrying amounts** | | | |
| Financial assets at amortised cost: | | | |
| - Trade and other receivables | 15 | 4,646,586 | 2,055,838 |
| - Cash and cash equivalents | 16 | 143,340 | 27,271 |
| | | **4,789,926** | **2,083,109** |

**Credit risk management**

The credit risk is managed based on the group's credit risk management policies and procedures.

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

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

In measuring expected credit losses, the trade receivables and 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, customer's payment history as well as current and forward-looking information on macroeconomic factors affecting the customer'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 group provided for an expected credit loss on its related party balances amounting to € 17,971 (2020: € 1,835) since the group's main trade receivables have not defaulted any payments.

### 24.2 Liquidity risk

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

| | Current | Non-current | |
|---|---|---|---|
| | Current | Non-current | |
| | within 1 year | 2 to 5 years | later than 5 years |
| **31 December 2021** | € | € | € |
| Bank loans | 58,921 | 1,296,258 | - |
| Bank overdraft /balance overdrawn | 518,702 | - | - |
| Debt securities in issue | - | - | 13,000,000 |
| Interest on debt securities in issue | 604,500 | 1,813,500 | 3,627,000 |
| Trade and other payables | 2,703,093 | - | - |
| | **3,885,216** | **3,109,758** | **16,627,000** |

| 31 December 2020 | Current within 1 year € | Non-current 2 to 5 years € | later than 5 years € |
|---|---|---|---|
| Bank loans | 550,976 | 1,887,822 | 1,551,669 |
| Bank overdraft /balance overdrawn | 236,406 | - | - |
| Debt securities in issue | - | - | 5,000,000 |
| Interest on debt securities in issue | 250,000 | 1,000,000 | 847,976 |
| Trade and other payables | 1,060,174 | - | - |
| | **2,097,556** | **2,887,822** | **7,399,645** |

### 24.3 Market risk

**Foreign currency risk**

The group transacts business mainly in euro and had no significant foreign currency denominated financial assets and liabilities at the end of the financial reporting period under review. Consequently, the group's exposure to foreign currency risk is negligible.

**Interest rate risk**

The group's exposure to interest rate risk is limited to the variable interest rates on borrowings.

The following calculation illustrates the sensitivity of profit to a reasonably possible change in interest rates of + or - 100 basis points. This change is considered by management to be reasonably possible based on observation of current market conditions. The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant.

In such circumstances, the potential impact of the shift in interest rates with effect from the beginning of the year on the net results of the group for the reporting periods presented would be -/+ € 16,971 (2020: € 34,573).

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

The carrying amounts of the group's financial assets and liabilities are recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.13 for explanations about how the category of financial instruments affects subsequent measurement.

| | Notes | 2021 € | 2020 € |
|---|---|---|---|
| **Current assets** | | | |
| Financial assets at amortised cost: | | | |
| - Trade and other receivables | 15 | 4,646,586 | 2,055,838 |
| - Cash and cash equivalents | 16 | 143,340 | 27,271 |
| | | **4,789,926** | **2,083,109** |
| **Current liabilities** | | | |
| Financial assets at amortised cost: | | | |
| - Trade and other payables | 21 | 2,703,093 | 960,174 |
| - Borrowings | 19 | 518,702 | 763,657 |
| | | **3,221,795** | **1,723,831** |

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | € | € |
| **Non-current liabilities** | | | |
| Financial assets at amortised cost: | | | |
| - Borrowings | 19 | 1,178,416 | 2,693,690 |
| - Debt securities in issue | 20 | 12,423,994 | 4,873,491 |
| | | **13,602,410** | **7,567,181** |

## 25 Fair value measurement

The following table presents non-financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups non- financial assets into three levels based on the significance of inputs used in measuring their fair value. The fair value hierarchy has the following levels:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets
- Level 2: based on information other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: information for the asset that is not based on observable market data (unobservable inputs).

The level within which the non-financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December:

| **2021** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| | **€** | **€** | **€** |
| Property, plant and equipment | - | - | 20,360,368 |

| **2020** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| | **€** | **€** | **€** |
| Property, plant and equipment | - | - | 14,772,347 |

The fair value of the land, building and mechanical and electrical installations at 31 December 2021 has been arrived at on the basis of a valuation carried out by independent valuers not related to the company with appropriate qualifications and experience in the valuation of properties in Malta.

## 26 Capital management policies and procedures

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

- to safeguard the group'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 group's capital management is essentially that of ensuring efficient use of capital taking cognisance of the group's risk appetite and profile as well as its objectives for business development.

## 27 Post-reporting date events

In 2022, Segond Boutique Hotel Ltd officially commenced its hotel operations.

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

## 28 Reclassifications

Comparative figures have been reclassified to conform with the current year's presentation of consolidated financial statements.

# 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. and the consolidated financial statements of its group, set out on pages 5 to 30 which comprise the statement of financial position of the group as at 31 December 2021, and their statement of comprehensive income, 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.

In our opinion, the accompanying financial statements of the group gives a true and fair view of the financial position of the group 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 group 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 are 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:

- 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 group and its 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 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 are 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director are responsible for assessing the group'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 director either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The director are responsible for overseeing the group'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 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 group'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 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 auditor's report. However, future events or conditions may cause 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 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.

**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 consolidated 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.

Causon

Sharon Causon (Partner) for and on behalf of

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

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25 April 2022