



The Board of Directors,
Smartcare Pinto Ltd.,
326, Smart House,
Mdina Road,
Qormi, QRM 9014

Friday 1st July 2022

PROPERTY VALUATION REPORT

Valuation Report covering properties at;

- i) **Dar Pinto, No. 326, Mdina Road, Qormi, QRM 9014, Malta**

Dear Sirs,

This office has been appointed to prepare a valuation report for the property listed in the caption above. The valuation is being carried out for Smartcare Pinto Ltd., which is a limited liability company having the Company Registration number; **C86395**. It has been reported to the undersigned that the valuation report is required in connection with a proposed bond issue and has been formulated in line with the requirements set out Chapter 7, of the Capital Markets Rules of the Malta Financial Services Authority. A copy of this report is to be included in the prospectus for the bond issue in question.

The undersigned Architect and Civil Engineer can confirm that several on-site inspections have been carried out the property in question.

The undersigned is formulating this valuation report as an external, accredited valuer and can confirm that no conflicts of interest, either personal or in relation to the partnership exist.

Date of Valuations:

The valuations included in this report are valid as of the **1st July, 2022** and reflect the market value of the properties in question at the time at which the report was written.

Basis of Valuations:

The valuations have been carried out to ascertain the values of the inspected property. This report leads to an estimation of the Market Value of the property, that is: *the estimated amount for which the property should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.*

The price stated in this valuation report is based on the open market value for the existing use and is deemed to be the fair market price at which the sale of an interest in the property might reasonably be

expected to have been completed unconditionally for cash consideration on the date of the valuation subject to the following:

- A willing seller
- A reasonable period for the proper marketing prior to the date of the agreement
- The absence of any additional bid by a purchaser with a special interest in the acquisition
- The state of the market and the property values were on the date of contract the same as on the date of the valuation
- Good title can be shown
- The property is not affected by any statutory notice
- The property is free from latent defects
- Only a visual inspection of the property was carried out to establish the condition of repair

Information related to the property that was considered necessary for this report, such as tenure, interested parties, leases, etc. has been obtained directly from the directors of Smartcare Pinto Ltd.

Signed

A handwritten signature in blue ink, appearing to be 'Perit Malcolm Sullivan', written in a cursive style.

Perit Malcolm Sullivan

B.E.&A. (Hons.)

Warrant number 538

ID 160977M

Sapienza and Sullivan Partnership number P16

This report is confidential to the client and for the specific purpose as described above. The sources of information and verification included the Client and Reporting Accountants, Grant Thornton. These valuations have been carried out, as an external valuer, in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. The valuations are valid at the date of inspection. They take into account the condition of the property as indicated in this report. No inquiries have been made regarding the actual or potential use of other property in the area that may have an effect on the value of the inspected property. The title of the inspected properties has not been investigated. It is assumed that that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing. The undersigned has not carried out detailed structural surveys, tested services, nor has he exposed parts of the structure that were covered, unexposed or inaccessible. The undersigned is therefore unable to give any assurance that the property is free from defect. Nevertheless, the undersigned has had regard to the age and apparent general condition of the properties. In accordance with standard practice, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document without the prior written approval of the undersigned for the context in which it may appear. All the printed notes form an integral part of the report.

Section 1

valuation of

'Dar Pinto'
Care Home for the elderly,
No. 326, Mdina Road,
Qormi, QRM 9014,
Malta

78. Also forming part of this application was the addition of a Chapel, a dining room, a kitchen and other spaces. The basement of the property allows for 13 car parking spaces and it is accessed by a ramp from Triq L-Imdina.

PA 9999/17 proposed changes to the previous planning permit. These changes primarily consisted in the addition of an extra two floors. The construction works for these two additional floors were completed according to the approved permit. Please refer to section 1.3 below for a description of planning permits. **PA 9999/17** included the addition of an area of circa 1390sqm to that approved in **PA 6306/17**. It also resulted in additional beds which brought the total to 131 beds.

Upon visual inspection, the property appears to be structurally sound.

1.2 Tenure:

The title of the property is reported to be freehold. The necessary checks and searches have been carried out by the Notary and there are no title defects on the said property. (Please refer to attached annex 1)

1.3 Relevant Planning Permission related to the site:

- i) **PA 1808/01**; To demolish existing premises no. 324 & 326 Mdina Road Qormi and erect old peoples home.*

This permission was granted in 2003 and sought permission to demolish the existing building present on the site and to construct a new building that could serve as an old people's home.

- ii) **PA 6513/05**; To sanction alterations and additions. To erect recessed floor.*

PA 6513/05 sought permission to bring changes and additions made to the construction referred to in PA 1808/01, in line with a permit. Permission was also sought to construct an extra, set-back floor. The application was granted in 2006.

- iii) **PA 6306/17**; Minor alterations, sanctioning of shifting of approved plans in PA 6513/05, and proposed parapet wall at roof level.*

Further changes to those applied for in PA 6513/05 were applied for in PA 6306/17. Permission was granted in 2017 and the works described in section 1.1 were complete in line with this particular PA application.

- iv) **PA 9999/17**; Internal alterations on all levels and external alterations for ventilation purposes and increase room size on Guze' Duca Street. Construction of 2 extra floors as per height limitation adjustment policy for Retirement Homes.*

This application sought to propose changes to the previous PA 6306/17. Changes included increasing the overall height by extending the current recessed floor to form a full floor, as well as the addition of a

further full floor and a recessed floor. Permission for this had been granted, construction works are complete and finishing works are currently underway to complete the extra floors approved in this permit. The undersigned can confirm that no material contravention of statutory requirements was noted on site.

- v) **PA 1258/20**; *Demolition of 1st and 2nd level; And lateral extension of existing old people's home (Class 2A) at 1st, 2nd, 3rd, 4th, 5th floor to create 24 rooms and related public areas. Number of beds will be increased by 41.*

Referred to as 'extension 1' this application was approved in 2020. The permission sought to extend the current old people's home into the adjacent plot on Triq L-Imdina. The construction and civil works on this extension were complete at the time of inspections and the works on the finishes were underway. The duration of the remaining works, including finishing and furnishing (including equipment), is projected to be 5 months. The extension is expected to be up and running by October 2022. This extension brings the total number of beds of the old people's home up to 185 beds

- vi) **PA 2321/22**; *Demolition of ground and 1st level and construction of old people's home (Class 2A) with a different layout from that approved in permission PA1258/20 and lateral extension of (Class 2A) at ground, 1st, 2nd, 3rd, 4th, 5th floor*

Referred to as 'extension 2' **PA 2321/22** this application was validated by the planning authority on the 06/04/2022 and seeks to extend the operation of the old people's home into the adjacent plot. The target date for the decision on this application is set for 22nd July 2022. This extension will bring the total number of beds of the old people's home up to a total of 217 beds

1.4 PA 2321/22 Extension to Care Home and Completion Timeframe Assumptions

The potential development associated with the acquisition of adjacent property, has been applied for by validated PA permit. PA 2321/22 which proposes to demolish the first and second floor of the adjacent acquired properties and re-develop this part of the site to act as an extension to the existing Care Home, referred to as extension 2.

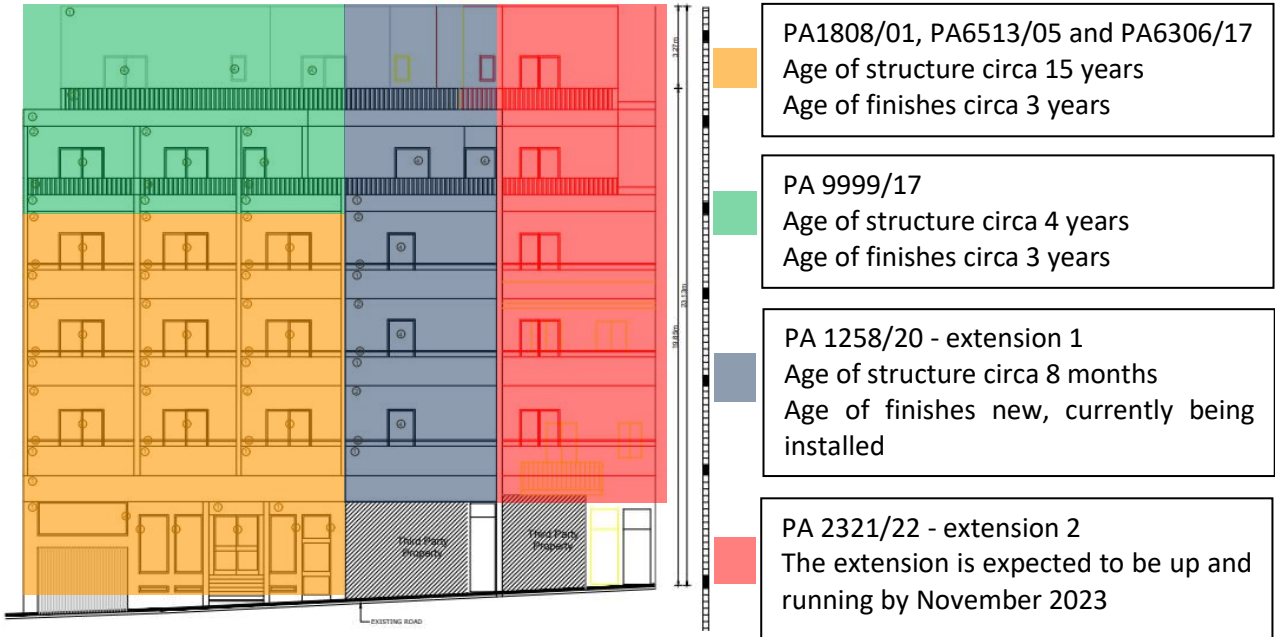
The adjacent properties which will form extension 2 currently consist of two separate maisonettes that have been purchased with two separate agreements for the sole purpose of this proposed extension. The Promise of Sale agreements for both of these properties have also been included in the appendices of this valuation document.

The proposed intervention, extension 2, will add an extra 32 beds to the Care Home and works on the project are planned to commence in August / September 2022. The duration of the entirety of the works, including construction, finishing and furnishing (including equipment), is projected to be 12 months. The extension is expected to be up and running by November 2023.

Any possible effects on the day-to-day running of the Care Home from the extension works to be carried out are being considered as negligible and it is being assumed that the existing Care Home should be able to continue functioning as normal throughout the duration of the extension works.

Once extension 1 is completed (circa October 2022) as described in PA 1258/20, (and also as indicated in the FDDR prepared by the Reporting Accountants), it has been communicated that the Care Home will be operating with 185 beds.

Approximate age of buildings and finishes according to the various phases of works



1.5 Completion Costs for extension 2

It is being assumed that the completion costs including, without limitation, to the purchase and legal costs, demolition and construction, finishing costs, furnishings system and equipment, the cost of financial carrying charges, and other ancillary costs are approximately €2,250,000. The extension is expected to be complete and operational by November 2023

1.6 Financials and Projections

The property has now been functional and operational as a Care Home since June 2019 and although it is only three years into its operations as a Care Home, it is already very well established in the industry and is operating at full occupancy.

The undersigned can confirm that information on studies into the financials and projected earnings of the Care Home have been based entirely on the Management’s projections as reported in the Financial Due Diligence Report provided by the Reporting Accountants for the planned bond issue, Grant Thornton. These numbers form an integral part of the valuation process and have a significant and direct bearing on the valuation.

It is being assumed that these financials and projections are being communicated in good faith and that they are correct and representative of the ongoing business and its future projections. Our office will not accept any responsibility, directly or indirectly linked to any shortcomings in the numbers and projections communicated to us.

The communicated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) as at June 2021 stood at €645,299 (Source management accounts). Projections of future EBITDAs have been communicated as follows;

Year	EBITDA
1 (2022)	€1,123,777
2 (2023)	€1,611,867
3 (2024)	€2,027,149
4 (2025)	€2,067,692
5 (2026)	€2,109,045
6 (2027)	€2,151,226
7 (2028)	€2,194,251
8 (2029)	€2,238,136
9 (2030)	€2,282,899
10 (2031)	€2,328,557
11 (2032)	€2,375,128

1.7 Service Agreement

In 2019, a service agreement was entered into between the Active Ageing and Community Care Department (AACCD) and Smartcare Pinto Ltd. This agreement which is also renewable guarantees the occupancy of a number of beds within the Care Home for a period of five years (until 31st May 2024).

The Contract Agreement “Agreement for the Provision of Accommodation for Older Persons between Active Ageing & Community Care Department (AACCD) and Smartcare Pinto at Casa Pinto” dated 23rd May 2019 Addendum No. 1 (Ref No.: AACC CA72/2019) to contract dated 11th October 2019, Addendum No. 2 (Ref No.: AACC CA84/2019) dated 5th December 2019, Addendum No. 3 (Ref No. AACC 11/2020) to contract dated 5th February 2020, Addendum No. 4 (Ref No. AACC 28/2020) to contract dated 16th March 2020, Addendum No. 5 (Ref No. AACC CA66/2020) to contract dated 28th September 2020, and Addendum No. 6 (Ref No. AACC CA07/2022) to contract dated 5th April 2022.

This agreement together is being taken into account when determining the risk factors involved and when formulating the market value of the Care Home in question.

1.8 Rates and Percentages Applied

For the purposes of this valuation, the projected growth rate communicated to us is being projected as being one of 2.0%. This is an average growth rate and governs the projected EBIDTA incremental increases once the operations have stabilised. A capitalisation rate of 9% is being applied to the valuation and is tied to the discount rate and the projected growth rate being applied. An extra 1% is being added to the capitalisation rate in order to be applied as the exit capitalisation rate (10%). This is being done to account for increased uncertainty of future valuations as being considered. The discount rate being applied is one of 10.3%.

The capitalisation rate reflects the risks associated with ownership of an investment, particularly relating to the security of the rent in money and real terms. It also reflects the current market value assessments of the time value of money and the risks specific to the asset and all the risks, uncertainties and likely beneficial prospects of a property investment. It is influenced by a number of factors, including; general level of interest rates; the state of the national and local economies; the volatility of the market; government financial and fiscal policies; taxation of income and capital, VAT,

stamp duty; liquidity issues to include not only the cost of disposal but more importantly the time it might take to realise the value of the property; and rental and capital growth prospects. It also takes into account the physical qualities of the property, including the construction and quality of finishes, workmanship and so on. The location of the property in terms of labour, transport and general and special accessibility also play a part in determining the capitalisation rate, as do any likely future changes that may make it more or less desirable to tenants and/or buyers.

The exit capitalisation rate is used to determine the capitalisation of the income derived from the 10th year of projections to perpetuity. The additional 1% that is added over and above the capitalisation rate is included to account for increased uncertainty in predicting the various circumstances mentioned above, so far in the future.

Just like the EBITDA projections, the growth rate was also derived from the projections that have been communicated to us in the FDDR prepared by the Reporting Accountants, Grant Thornton. Further information on the number of beds presently contracted and the key underlying assumptions underpinning the EBITDA projections, such as the occupancy rate and average bed rate, average room rates and any ancillary income may be found in the FDDR, prepared by the Reporting Accountants, that is to be included with the rest of the documents submitted by the client.

1.9 Current Market Value of Care Home

The value arrived at in this section of the valuation is representative of the current market value of the care home at the time of the report. It is a current valuation of the going concern, the care home, with its present operations, property boundaries, property area, the number of rooms and the number of beds as described in sections above. The potential for expansion in line with PA 2321/22 has also been considered. Even though the extension, as described in PA 2321/22, is at planning stage and not yet operational, the potential is nonetheless reflected in the projected accounts communicated to us and its future completion has a bearing on the current market value of the property and business in question.

When considering the final values reported in this valuation, the undersigned has taken into account that the property and the business are being assumed as going hand-in-hand with each other and with this in mind, the valuation included in this report is considered representative of the combined value of the property together with the business.

It was noted that the existing typology of the property (Care Home for the elderly) is not something that is common or abundant in the area, the comparative method of valuation was not considered to be a suitable method to use to arrive at the current market value of the property. The property in question is one where an income stream is generated from its use as an old people's home. Accordingly, the investment method for valuation was selected as a more suitable method and is being applied in order to obtain the current market value of the property. A Discounted Cash Flow exercise, taking into consideration the EBITDAs listed in section 1.6, is also being employed. The residual method is also being applied for this value as some residual value will be released once the extension works are completed.

It is the opinion of the undersigned that the current market value of the property in question is **€16,000,000 (sixteen million, euro)** in today's market.

It was also noted that the works on 'extension 1' are at an advanced stage with all civil works completed and finishing works on-going. Once extension 1 is complete (completion date October 2022) and operational this will increase the bed capacity to 185 beds.

Market Value of the Care Home upon completion of Extension 1 scheduled for October 2022

It is the opinion of the undersigned that the current market value of the property in question is **€16,800,000 (sixteen million, eight hundred thousand euro) upon completion and operation of the extension 1 October 2022**

1.10 Market Value of Care Home upon completion of Extension 2 upon Completion

For this section of the report, we have been requested to value the Care Home, including the 'extension 2' described in PA 2321/22 at the date at which the extension project is complete, functional and up and running. The value in this section is equivalent to the 'day one' value of the extended larger Care Home and once the extension is complete.

For this section of the valuation the undersigned is assuming that the project is completed and fully functional, and that the costs borne to implement it have already been accounted for in the EBITDAs provided to us. It is being assumed that no extra calculation needs to be done in the form of a residual method of valuation since the investment method being applied, will take the completion costs into account by making use of the EBITDAs provided.

It is the opinion of the undersigned that the current market value of the property in question, including the completed and functioning extension described in PA 2321/22 would be **€19,500,000 (nineteen million five hundred thousand euro) upon completion of the extension in November 2023.**

1.11 Market Value of Care Home and Extension at Stabilised Operations

It is our experience and understanding that for property assets such as Care Homes for the elderly similarly as well as Hotels, the occupancy levels and income generated from the occupancy together with the daily running and operational costs, will generally tend to vary from year to year. This variance is typically most significant during the first year of operation from launching and between the subsequent years until the occupancy would have more or less stabilised and reached its potential. The scope of this section of the report is to provide a value for the Care Home, together with extension 2 (covered by PA 2321/22), at the point when the occupancy rates and income of the asset would have reached a level of stability.

It is being assumed that stabilised operations will be achieved just three years from the opening of the new extension 2 to the Care Home. The EBITDAs provided indicate that stabilised operations should be achieved by year 5 (2026) and that the EBITDA that year ought to be €2,109,045. From that point onwards, it has been communicated that the projected growth should be 2.0%.

It is the opinion of the undersigned that the **market value at stabilised operations** would be **€20,500,000 (twenty million, five hundred thousand euro)**

Assumptions and General Provisos for the Valuations Carried Out

4.0 Special Assumptions

Certain assumptions have been made when formulating this report. The assumptions are indicated throughout the report and form an integral part of the report. The report should not be seen in isolation of any of these assumptions. The valuation is based on the open market value for the existing use.

4.1 Information related to any security and privileges over the property (refer to appendix 7)

A search has been conducted on Smartcare Pinto Ltd (C. 86395) – Search Period: Liabilities from 01.01.1988 till 15.06.2022, wherefrom it resulted that:

(i) In virtue of a deed in the records of Notary Doctor Sam Abela dated the fourth day of October of the year two thousand and eighteen (04.10.2018), Smartcare Pinto Ltd acquired:

the development in shell form, built on lieu of the site formerly occupied by the tenements bearing official numbers three hundred twenty four and three hundred and twenty six (324 and 326), in Imdina Road, Qormi, as bounded on the North by the said Imdina Road, on the South by Triq Guze Duca, and on the other sites with unknown third parties. The said site does not overlie or underlie third party property and including its overlying airspace and underlying sub-terrain, as free and unencumbered from any third-party rights, whether real or personal, free from the payment of any ground rents, and free from any other burthen, with immediate and vacant possession and with all their rights and appurtenances;

Today, the above described development had been developed into an old people home named 'Dar Pinto', officially numbered 324 and 326, in Imdina Road, Qormi (hereinafter referred to as 'the Property').

(ii) From searches conducted from 01/01/1988 till 15/06/2022, the following hypothecary inscriptions have been registered on such property:

H.11738/2019 - Smartcare Pinto Ltd as Surety together with Smartcare Finance p.l.c (C 90123), as principal debtor granted a Special Hypothec in favour of GVZH Trustees Ltd (C. 23095) for the amount of €5,000,000, and this over the Property - and this in virtue of a deed in the records of Notary Tiziana Maria Refalo of the 11.06.2019.

H/6201/2021 - Smartcare Pinto Ltd as Surety together with Smartcare Finance p.l.c (C 90123), as principal debtor granted a Special Hypothec in favour of GVZH Trustees Ltd (C. 23095) for the amount of €13,000,000 over the Property - and this in virtue of a deed of Notary Tiziana Maria Refalo of the 30.03.2021.

4.2 Statement Regarding Valuations Carried-Out During the COVID-19 Pandemic

The outbreak of the Novel Coronavirus (COVID-19) was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, and has impacted global financial markets. By virtue of Legal Notice 115 of 2020, and in accordance with Article 14 of the Public Health Act, the Superintendent of Public Health declared that, with effect from the 7 March 2020, a public health emergency exists in Malta in terms of COVID-19. Travel restrictions have been implemented by many countries (including Malta) and many market operators have been made to shut down, with various other restrictions brought into force through the relevant legal instruments.

Market activity is being impacted in many sectors. Even though there are no official statistics it is being claimed that as a result of the above-mentioned events, Malta together with most other countries may be experiencing an uncertain and unpredictable real estate market and this could possibly reduce the level of transactions. This situation has also led to a level of valuation uncertainty, which is not measurable, and the impact of the event on general prices will not be known until the market has fully stabilised.

This valuation is therefore reported on the basis of 'valuation uncertainty' as defined in the European Valuation Standards 2016, and in line with the Kamra tal-Periti Valuation Standards COVID-19 Guidance Note (May 2020). While the estimated value is considered to be the best and most appropriate estimate based on the available information, it is the opinion of the undersigned that less certainty – and a higher degree of caution – should be attached to this valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the Client keeps the valuation of this property under frequent review.

Signed,

A handwritten signature in blue ink, appearing to read 'Perit Malcolm Sullivan', with a stylized flourish at the end.

Perit Malcolm Sullivan

B.E.&A. (Hons.)

Warrant number 538

ID 160977M

Sapienza and Sullivan Partnership number P16

Appendix 7

Relating to Dar Pinto Care Home

*Information related to any registered mortgages
and privileges and other charges, real rights
thereon including details of any emphyteutical
concessions, easements and any other burdens
as provided by notaries Abela & Abela*



Abela & Abela

Notaries Public & Commissioners for Oaths

Today 1st July 2022

To whom it may concern,

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Abela & Abela

Notaries Public & Commissioners for Oaths

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Kindly be advised accordingly.

Regards,

Dr. Olivia Micallef (L.B., L.D.)
ABELA & ABELA NOTARIAL FIRM
4, MUSEUM ROAD - RABAT
MALTA RBT 1212
Tel: 21454165 - 21454008
rabat@nutarabela.com