

1st July 2022

The Directors,
Smartcare Finance plc
Segond Boutique Hotels Ltd
326 Mdina Road
Qormi
Malta

Subject: Valuation Report

Property: 73 and 75 Tower Road Sliema

I, the undersigned Architect and Civil Engineer (BE&A Hons.), have been requested to evaluate the property/ies in caption.

General

The valuation has been prepared in accordance with Chapter 7 of the Capital Market Rules published by the Malta Financial Services Authority and in particular, with the disclosure requirements relating to Companies seeking listing on the Malta Stock Exchange.

Requirement for a valuation report

The purpose of this valuation is for inclusion thereof within the Prospectus, to be published in connection with the proposed bond issue by Smartcare Finance plc, in accordance with the Capital Market Rules.

Reporting Standards

The valuation has been carried out by the undersigned, as an independent valuer, in terms of the UK Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Independence of valuer

The undersigned confirms that there is no conflict of interest in advising you of the opinion of the value of the property, since the undersigned or his associates will not benefit from the valuation instruction, other than the valuation fee.

A. Contents of valuation report

1. Address

The location of this complex is 73 and 75 Tower Road Sliema, and the site plan has been included in Appendix A of this report. Site photos are available for inspection at the Issuer's registered office.

2. Nature of valuer's inspection

The undersigned declares that he has visited the site, and is fully familiar with the plans of the property which is functional and operating.

3. Brief Description

On 31 August 2021, Smartcare Properties Limited entered into a POSA to acquire a 65-year temporary emphyteusis from the Legacy Maria Pace Agius annexed to the Parish of Lija (Archdiocese of Malta) on a house and shops located at 73 and 75, Tower Road Sliema, subject to obtaining the necessary development permit. Management informed us that the contract will be entered into by Smart Suites Limited. Such cessation of rights is permitted as per POSA clause 3.

A full development permit (PA/08424/21) was submitted on 16 September 2021 to demolish the existing dwelling and to construct a restaurant Class 4D at ground and first floor level and an overlying Class 3A guest house with a total of 14 rooms. Consequently, it is Management's intention to develop the hotel into 12 rooms, one suite and one penthouse suite. Of these, 6 rooms and the penthouse shall have an indoor pool. The permit was approved on 18 May 2022.

On 20 October 2021, Smart Suites Limited entered into a contract of works agreement with Smart Homes Limited for €1.1 million, to carry out civil and buildings works, and all other works required to render the hotel into a finished state within 21 months from commencement date. Development works are expected to commence once the permit is granted, and complete by December 2023. Hence, the hotel is expected to commence operations as from 1 January 2024. This development will be financed through the bond proceeds.

4. Existing Use

Casa Bottega. 2 Class 4B shops at ground floor and overlying residence. This use has been superseded by the permit PA 8424/21

5. Relevant planning applications

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and first floor level and an overlying Class 3A guest house with a total of 14 rooms. Consequently, it is Management's intention to develop the hotel into 12 rooms, one suite and one penthouse suite. Of these, 6 rooms and the penthouse shall have an indoor pool. The permit was approved on the 18th May 2022.

6. Material contravention of statutory requirements

CMR 7.4.1.6: Not applicable.

7. Tenure

The site in caption is subject to a 65 year lease as per attached POSA. It is not freehold.

8. Main terms of tenants' leases or sub-leases

CMR 7.4.1.8: Not applicable.

9. Approximate age of any buildings

The existing building is pre-war. A permit has been issued to demolish completely without restrictions.

10. Present capital value in existing state

The property will have an annual ground rent of euro 65,000 for the 65 year term with inflation index increments. The estimated present capital value of the property in its existing state capitalizing the rent for 20 years and taking into consideration the potential and permit obtained, using scaled drawings, site visit, the comparative method, and also having considered the existing, location and current market trends the property has at present potential market value in the region of:

Euro 1,500,000 or one and half million euro

Once completed and ready to open its doors to guests, the finished complex will be burdened by an annual ground rent of euro 65,000 for the 65 year term. The estimated capital value of the property once in operation around 2024 using the comparative method, taking into consideration current rental rates for the rooms at 80 per cent occupancy will have a potential market value in the region of:

Euro 3 million or 3,000,000

11. Terms of Intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation

CMR7.4.1.11: Not applicable.

12. Other matters which materially affect the value

CMR7.4.1.12: Not applicable.

13. Sources of information and verification

All information that was considered necessary for the purpose of drawing up the present report was obtained from the directors and advisors of Smartcare Finance plc. This included all planning applications, construction and finishing cost estimates, design, management and supervision costs, marketing and selling costs, estate management costs, and financing costs. There was also access to the projections of sales and cash flow.

14. Details of registered mortgages and privileges and other charges, real rights atheron including details of emphyteutical concessions, easements and other burdens

No details were given in this regard.

B. Details of valuer

Colin Zammit
B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech
Perit – Maniera Group
Tel: [+356] 21 411790; 21420895
Mob: [+356] 9947 8744
Email: perit@manieragroup.com
Address: 80, Triq it-Torri, Mosta MST 3502
Warrant No 386

C. Date of valuation

The valuation was completed on, and the effective date thereof is, 1st July 2022

D. Basis of valuation

The Capital Market Rules require that the valuation be made on the basis of an open market value for existing use. An open market value represents an opinion of the best price for which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the date of valuation. A comparative method of direct sales and current rental rates has been used.

E. Assumptions

An open market valuation assumes that there is a willing seller, that the interest being valued would have been, prior to the transaction, properly marketed, that the state of the market, level of values and other circumstances are consistent over the period of the valuation, that no account is taken of any additional bid by a prospective purchaser with special interest, and that both parties to the transaction act knowledgeably, prudently and without compulsion. An existing use value follows on the definition of the open market value, with the added assumptions that the property can be used, for the foreseeable future, only for the existing use,

and that vacant possession is provided on completion of the sale of all parts occupied by the business.

F. Title

The site in caption is subject to 65 year lease as per POSA. It is not freehold.

G. Benefits/Detriments of contractual agreements

CMR 7.4.7: Not applicable.

H. Acquisitions/Disposals Interest


CMR 7.4.8: Not applicable.

I. Other Relevant matters

No responsibility is being assumed to the third parties to whom this report may be disclosed and no liability is accepted in contract, negligence, restitution with regards to any loss including profits, goodwill or opportunity. While the above is deemed to provide a reasonable valuation of the property in question, such estimate may also vary between one valuer and another. This valuation is also subject to changes over relatively short periods due to economic conditions.

J. Standards and Guidelines

The valuation has been carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors. (RICS)



Colin Zammit

B.E.&A. (Hons) A.&C.E.P.G. Dip. Cons. Tech

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