Smartcare Finance p.l.c.

Report & Financial Statements

31 December 2022

Company Registration Number: C 90123

Contents

Directors' report

The directors present their report and audited financial statements of Smartcare Finance p.l.c. (the "Company"), for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is to act as a finance and investment company. The Company is essentially a special purpose vehicle set up for financing transactions of the Smartcare Group. It raised such finance mainly through the issue of bonds, which are quoted on the Malta Stock Exchange and guaranteed by Smartcare Holdings Limited and Smartcare Pinto Limited, in particular to finance or re-finance the funding requirements of related companies within the Smartcare Group.

Review of business

The Company made a profit before tax of €181,520 (2021: €47,319) for the year ended 31 December 2022.

The Company generated revenue from dividends received from subsidiary of €1,170,000. It paid interest on debt securities in issue of €765,126 (2021: €471,749). During the year under review, the Company registered a net profit after taxation of €181,520 (2021: €2,694). The resulting earnings per share for the year under review amount to €0.73 (2021: €0.01) per share.

The Company's financial position as at 31 December 2022 is set out in the statement of financial position.

Results and dividends

The results for the year are set out in the income statement. No dividends were declared during the year.

Directors

The following have served as directors of the Company during the year under review:

Mr Andrew Debattista Segond

Mr William Wait
Mr Ian Joseph Stafrace
Mr Sandro Grech
Mr Arthur Gauci

In accordance with the Company's Articles of Association, the present directors remain in office.

Events after the end of the reporting period

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

Future developments

The Company intends to continue acting as a finance company on behalf of the Smartcare Group.

Principal risks and uncertainties

During 2022, Smartcare Finance plc raised a €7.5 million bond, which bonds are quoted on the Malta Stock Exchange. Although the proceeds were ultimately used to finance or re-finance the funding requirements of related companies within the Smartcare Group, the proceeds were initially advanced to Smartcare Group Investments Limited as preference shares. Consequently, the main risk of Smarcare Finance plc is that Smartcare Group Investments Limited, does not repay the preference shares and distribute dividends. The Directors of Smartcare Finance plc are provided with oversight of Smartcare Group's cash flow forecasts on a regular basis enabling them to monitor the evolution of these cash flows.

Going concern

As required by Capital Markets Rule 5.62 issued by MFSA, upon due consideration of the Company's state-of- affairs, capital adequacy and solvency, the directors confirm the Company's ability to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis. Refer to Note 2, for the Directors' assessment of the going concern assumption.

Disclosure of information to the auditor

At the date of making this report, the directors confirm the following:

- As far as each 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

- Each 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 directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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

Auditor

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

Information pursuant to Capital Markets Rule 5.70.1

During 2022, the Company acquired €7.1 million preference shares in Smartcare Group Investments Limited. Other than this, there were no material contracts to which the Company, or its subsidiary was a party, and in which anyone of the Company's Directors was directly or indirectly interested.

Information pursuant to Capital Markets Rule 5.70.2

The Company Secretary is Dr Katia Cachia and the registered office is 326, Mdina Road, Qormi, Malta.

Signed on behalf of the Board of Directors on 24 April 2023 by Andrew Debattista Segond (Director) and Ian Joseph Stafrace (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement by the directors on the financial statements and other information included in the annual report

Pursuant to Capital Markets Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 24 April 2023 by Andrew Debattista Segond (Director) and Ian Joseph Stafrace (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Capital Markets Rules issued by MFSA to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditor.

The Board of Directors (the "directors" or the "board") of Smartcare Finance p.l.c. (the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

Compliance with the Code

Principle 1 and 4: The board

The board of directors of the company is responsible for the overall long-term direction and management of the Company, assessing and evaluating the performance of the company's executive functionaries, ascertaining that control systems suitable to the company are implemented, that financial reporting is carried out to the highest attainable standards and to ascertain that the company maintains open communication channels with the market and stakeholders.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

Further to the relevant section in Appendix 5.1 to the Capital Markets Rules, the board of directors acknowledge that they are stewards of the Company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The directors individually and collectively are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision making process. The directors have determined the company's strategic aims and organisational structure and always ensure that the company has the appropriate mix of financial and human resources to meet its objectives.

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed to achieve continued prosperity to the Company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organizational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the Company;
- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

In terms of Capital Markets Rules 5.117 – 5.134 the board has established an Audit committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit committee has a direct link to the board and is represented by the Chairman of the Audit committee in all board meetings.

Principle 2: The Company's chairman and chief executive

Due to its lean operating structure and the nature of its current business, the Company does not employ a Chief Executive Officer (CEO). This function is undertaken by the executive directors of the Company.

The day-to-day management of the Company is vested with the executive directors of the Company.

The Chairman is responsible to:

- Lead the Board and set its agenda;
- Ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company;
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the board for discussion of complex or contentious issues.

Principle 3: Composition of the board

The board considers that the size of the board, whilst not being too large as to be unwieldy, is appropriate, considering the size of the Company, its operations, its business risks and key performance indicators. The board of directors consists of two executive directors and three non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interest, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive directors and their performance as well as to analyse any investment opportunities that are proposed by the executive directors.

For the purpose of Capital Markets Rules 5.118 and 5.119, the non-executive directors are deemed independent. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

The board considers that Dr Ian Joseph Stafrace, Mr Sandro Grech and Mr Arthur Gauci are the three independent Directors of the Company and hereby reports that neither of them:

a) are or have been employed in any capacity by the Company;
b) have, or had within the last three years, a significant business relationship with the Company;
c) have received or receive significant additional remuneration from the Company;
d) have close family ties with any of the executive members of the board;
e) have served on the board for more than twelve consecutive years; or
f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

Each of the Directors hereby declares that he undertakes to:

a) maintain in all circumstances his independence of analysis, decision and action;
b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
c) clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

The board is made up as follows:

Executive Directors

Mr Andrew Debattista Segond
Mr William Wait (Chairman)

Independent Non-Executive Directors

Dr Ian Joseph Strafrace
Mr Sandro Grech
Mr Arthur Gauci

Dr Katia Cachia acts as secretary to the Board of Directors.

The board aims to meet a minimum of four times every calendar year. The Company ensures that sufficient information is provided to the attendees to effectively contribute during meetings of the board, and to take informed decisions on the manner in which the Company's affairs are being administered.

Board members are notified of forthcoming meetings by the company secretary with the issue of an agenda and supporting reading materials, which are circulated well in advance of the meeting.

The process of appointment of directors is transparent, is set out in the company's Articles of Association and it is conducted during the company's AGM, where all the shareholders of the company are entitled to participate in the voting process to elect the board of directors. Furthermore, in terms of the company's Memorandum and Articles of Association, a director is prohibited from voting on any contract or arrangement or any other proposal in which he has a material interest.

Principle 5: Board meetings

The board met five times during the period under review. The number of board meetings attended by directors for the period under review is as follows:

Mr Andrew Debattista Segond	5 times
Mr William Wait (Chairman)	5 times
Dr Ian Joseph Strafrace	5 times
Mr Sandro Grech	5 times
Mr Arthur Gauci	5 times

Principle 6: Information and professional development

On joining the board, a director is provided with briefings by the executive director on the activities of the Company. From time to time, the executive directors may meet other board members or organise information briefing sessions to ensure that the directors are made aware of the general business environment and the board's expectations.

Directors may, where they judge it necessary to discharge their duties as directors, consult the corporate advisors at the expense of the Company.

Principle 8: Committees

Remuneration committee

The Code recommends that "the board should establish a remuneration policy for Directors and senior executives. It should also set up formal and transparent procedures for developing such a policy and for establishing the remuneration packages of individual Directors." In view of the size and type of operation of the Company, the Board does not believe that the Company requires a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code, given that the remuneration of the Directors is not performance-related.

The maximum annual aggregate emoluments that may be paid to the Directors is, pursuant to the Company's Memorandum and Articles of Association, approved by the shareholders in general meeting.

Remuneration statement

The remuneration policy for directors has been consistent since inception; no Director (including the Chairman) is entitled to profit sharing, share options or pension benefits. There is no linkage between the remuneration and the performance of Directors. A fixed honorarium is payable at each financial year to the non-executive Directors.

For the financial year under review the aggregate remuneration of the Directors of the Group was as follows: Fixed remuneration €88,700. Going forward, it is the shareholders of the Company in General Meeting who shall determine the maximum annual aggregate remuneration of the directors.

None of the directors are employed with the Company and have a service contract with the Company.

Audit committee

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audits and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditor.

Dr Ian Joseph Stafrace, a non-executive director, acts as Chairman, whilst Mr Arthur Gauci, Mr Sandro Grech act as members. The Company Secretary, Dr Katia Cachia acts as secretary to the committee. During the period under review, the committee met 5 times.

The board of directors, in terms of Capital Markets Rule 5.118, has indicated Mr Arthur Gauci as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field.

The members of the committee have discussed various matters during the meetings held in 2022 and have formally set out the Terms of Reference of the committee which were recently updated on 29 January 2021. The purpose of the committee is to protect the interest of the Company's share and bond holders and assist the directors in conducting their role effectively. The audit committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the debtors of the Company, to ensure that budgets are achieved, and if not, that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out on an arm's length basis.

The directors are fully aware that the close association of the Company with Smartcare Group Investments Limited and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The Audit committee ensures that transactions entered into with related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company and its subsidiaries accurately report all related party transactions in the notes to the financial statements.

Pursuant to Articles 16 and 17 of Title III of the provisions of the Statutory Audit Regulations, the Audit committee has been entrusted with overseeing the process of appointment of the statutory auditors or audit firms.

Internal control

While the Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness, the authority to determine day-to-day, non-material operational aspects that fall within the ordinary course are delegated to the executive directors.

Controls are designed to manage risk to achieve business objectives and to provide reasonable assurance against normal business risks.

Through the audit committee, the board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the executive director with clear reporting lines and delegation of powers.

Control environment

The Company is committed to strong standards of business conduct and seeks to maintain these across all of its operations.

Risk identification

The executive directors and company management are responsible for the identification and evaluation of key risks applicable to their respective areas of business – this is sufficient, given the nature and scale of the Company's operations.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives, given its size and nature of its activities to date.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its bondholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, the Company seeks to address the diverse information needs of its bondholders and investors by providing the market with regular, timely, accurate, comparable and comprehensive information.

Principle 10: Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional investors. The Company is aware that institutional investors who are mainly bondholders have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available.

Institutional investors are expected to give due weight to relevant factors drawn to their attention when evaluating the Company's governance arrangements in particular those relating to board structure and composition and departure from the Code of Corporate Governance.

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Capital Market Rules in force during the year. Moreover, they are notified of blackout periods, prior to the issue of the Company's interim and annual financial information, during which they may not trade in the Company's bonds.

The directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board finds no objection to the presence of such directors. The directors are obliged to keep the Board advised on an ongoing basis, of any interest that could potentially conflict with that of the Company. In any event, directors refrain from voting on the matters where conflicts of interest arise.

During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company. Mr. Andrew Debattista, has a direct beneficial interest in the share capital of the Company, and as such is susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company.

Principle 12: Corporate social responsibility

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

Non-Compliance with the code

Principle 7: Evaluation of the board's performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Income statement

	Notes	2022	2021
		€	€
Revenue	5	1,170,000	657,237
Administrative expenses		(146,093)	(71,378)
Income before finance charges		**1,023,907**	**585,859**
Finance costs	6	(842,387)	(527,667)
Impairment loss on financial assets	11	-	(10,873)
Profit before tax	7	**181,520**	**47,319**
Income tax expense	8	-	(44,625)
Profit for the year		**181,520**	**2,694**

The notes to the financial statements are an integral part of these financial statements.

Statement of financial position

	Notes	2022	2021
		€	€
Assets			
Non-current			
Investment in subsidiary	9	20,101,200	13,001,200
Loan receivable	10	2,788,602	-
		22,889,802	**13,001,200**
Current			
Receivables	11	16,321	1,736,676
Current tax asset		256,347	72,758
Cash and cash equivalents	12	64,972	1,381
		337,640	**1,810,815**
Total assets		**23,227,442**	**14,812,015**

Equity			
Share capital	13	250,000	250,000
Retained earnings		202,516	20,996
Total equity		**452,516**	**270,996**
Liabilities			
Non-current			
Debt securities in issue	14	19,665,629	12,423,994
Loan payable	15	2,479,217	-
		22,144,846	**12,423,994**
Current			
Trade and other payables	16	629,598	2,117,025
Current tax payable		482	-
		630,080	**2,117,025**
Total liabilities		**22,774,926**	**14,541,019**
Total equity and liabilities		**23,227,442**	**14,812,015**

The notes to the financial statements are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2023. The financial statements were signed on behalf of the Board of Directors by Andrew Debattista Segond (Director) and Ian Joseph Stafrace (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	€	**€**	**€**
At 1 January 2021	250,000	34,812	284,812
Transaction with owners:			
Dividends declared	-	(16,510)	(16,510)
Profit for the year	-	2,694	2,694
At 31 December 2021	**250,000**	**20,996**	**270,996**
At 1 January 2022	250,000	20,996	270,996
Profit for the year	-	181,520	181,520
At 31 December 2022	**250,000**	**202,516**	**452,516**

The notes to the financial statements are an integral part of these financial statements.

Statement of cash flows

	Notes	2022	2021
		€	**€**
Operating activities			
Profit before tax		181,520	47,319
Adjustments	17	(328,151)	(118,697)
Net changes in working capital	17	224,259	552,934
Tax paid		(44,678)	(26,326)
Net cash generated from/ (used in) operating activities		**32,950**	**455,230**

Investing activities			
Repayment of loan receivable from related parties		-	4,800,000
Payment to acquire subsidiary		-	(13,000,000)
Interest received		-	298,277
Issuance of loan receivable to related parties		(1,874,949)	-
Additional investments in subsidiary		(7,100,000)	
Net cash (used in)/ generated from investing activities		**(8,974,949)**	**(7,901,723)**
Financing activities			
Advances from related parties net		2,479,217	-
Proceeds from issue of bond		7,500,000	13,000,000
Redemption of bonds		-	(5,000,000)
Bond issue costs		(208,501)	(348,205)
Interest paid		(765,126)	(204,795)
Net cash generated from/ (used in) financing activities		**9,005,590**	**7,447,000**
Net increase in cash and cash equivalents		63,591	507
Cash and cash equivalents, beginning of year		1,381	874
Cash and cash equivalents, end of year	12	**64,972**	**1,381**

The notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

1 Nature of operations

Smartcare Finance p.l.c. (the 'Company') was incorporated on 7 January 2019. The Company was formed principally to act as a financing and investment company, in particular the financing of companies within Smartcare Group of Companies.

2 Basis of preparation

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

Smartcare Finance p.l.c. is a public listed company registered on 7 January 2019 incorporated and domiciled in Malta. The registered office is located at 326, Mdina Road, Qormi, Malta.

The Company's parent company is Smartcare Holdings Ltd with the same place of incorporation and registered address as the Company. The ultimate beneficial owner of Smartcare Finance p.l.c. is Mr Andrew Debattista Segond.

Consolidated financial statements have not been drawn up, since the Company has taken advantage of the exemption from so doing conferred to it by article 174 of the Companies Act, Cap 386. Accordingly, these separate financial statements present information about the Company as an individual undertaking and not about its group. The parent company is responsible for the preparation of the consolidated financial statements for the whole group.

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

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

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the company's financial results or position. Standards and amendments that are effective for the first time in 2022 are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, plant and equipment: Proceeds before intended use (Amendments to IFRS 16)
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements (2018 – 2020 Cycle):
  - Subsidiary as a first-time adopter (Amendments to IFRS 1)
  - Fees in the '10 per cent' test for derecognition of liabilities (Amendments to IFRS 9)
  - Lease incentives (Amendments to IFRS 16)
  - Taxation in Fair value measurements (Amendments to IAS 41)

These amendments do not have a significant impact on these financial statements and therefore further disclosures have not been made.

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

At the date of authorisation of these financial statements, several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No disclosures have been made as they are not expected to have a material impact on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

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

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

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

4.2 Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific, recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognised in the income statement when the right to receive payment is established.

4.3 Expenses

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

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

4.5 Foreign currency translation

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

4.6 Investment in subsidiary

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

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

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

4.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the 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); or
• fair value through other comprehensive income (FVOCI).

In the periods presented, the Company 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 the income statement are presented within 'finance income' and 'finance costs', except for impairment of receivables which is presented within 'impairment loss 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
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss model'. Instruments within the scope of the requirements include most receivables.

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

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

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

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

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

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

Receivables

The Company makes use of a simplified approach in accounting for receivables and records the loss allowance as 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 Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 19.1 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables and debt securities in issue.

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

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

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

4.8 Income taxes

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that 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.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with bank.

4.10 Equity and dividend distributions

Share capital is determined using the nominal value of shares that have been issued.

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

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.

4.11 Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events; for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

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

Significant management judgement

Measurement of the expected credit losses

The measurement of the expected credit loss 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 when measuring the expected credit loss, such as:

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

5 Revenue

	2022 €	2021 €
Dividend income from subsidiary	1,170,000	358,960
Interest income from group companies	-	298,277
	1,170,000	**657,237**

6 Finance costs

Finance costs may be analysed as follows:

	2022 €	2021 €
Interest on debt securities in issue	765,126	471,749
Bank and other interest	538	-
Amortisation of bond issue costs	76,723	55,918
	842,387	**527,667**

7 Profit before tax

Profit before tax is stated after charging:

	2022 €	2021 €
Auditor's remuneration	6,200	6,100
Directors' fees	88,700	23,305

8 Income tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2021: 35%) and the actual tax expense recognised in the income statement can be reconciled as follows:

	2022 €	2021 €
Profit before tax	181,520	47,319
Tax rate	35%	35%
Expected tax expense	**(63,532)**	**(16,562)**
Disallowed expenses	(89,621)	(36,316)
Non-taxable income	153,153	8,253
Actual tax expense, net	**-**	**(44,625)**

During 2021, the Board resolved to consolidate the company with its parent company for fiscal unity purposes in line with the Consolidated Group (Income Tax) Rules.

9 Investment in subsidiary

9 Investment in subsidiary

	2022	2021
	€	€
At 1 January	13,001,200	1,200
Additions	7,100,000	13,000,000
At 31 December	**20,101,200**	**13,001,200**

The Company has an unquoted investment in the following subsidiary:

Name of company	Nature of business	% ownership
Smartcare Group Investments Ltd	Holding company	100

As at 31 December 2021, the Company owned 13,001,200 shares at € 1 each in Smartcare Group Investments Ltd. These represented 100% of the total issued shares of the investee. In 2022, the Company increased its investment through an additional 7,100,000 preference shares, with a nominal value of €1.

In 2022, the Company had indirect investments in the companies mentioned below through its investment in Smartcare Group Investments Ltd.

Name of company	Nature of business	% ownership
Smartcare Developments Limited	Develop and sell property	100
Smartcare Properties Limited	Develop and sell property	100
Smarcare Pinto Limited	Care home service	100
Segond Boutique Hotels Limited	Hotel	100
Smart Suites Limited	Non-trading	100

The registered office of Smartcare Developments Limited, Smartcare Properties Limited, and Smartcare Pinto Limited is situated at 326, Mdina Road, Qormi QRM 9014, Malta, whilst the one of Segond Boutique Hotels Limited and Smart Suites Limited at The Segond, Triq Ta' Gajdoru c/w Triq il-Komittiva, Xaghra (Gozo) XRA 2543, Malta.

10 Loan receivable

	2022	2021
	€	€
Loans to group companies	29,000	-
Loans to subsidiary	2,776,265	-
Estimated credit loss	(16,663)	-
	2,788,602	**-**

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

The movement in the expected credit losses is presented below:

	2022	2021
	€	€
At 1 January	16,663	5,790
Provision for expected credit loss	-	10,873
At 31 December	**16,663**	**16,663**

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

11 Receivables

	2022	2021
	€	€
Other debtors	-	1,253
Amount due from subsidiary	-	1,745,229
Estimated credit loss (refer to note 10)	-	(16,663)
Financial assets at amortised cost – net	**-**	**1,729,819**
Prepayments	16,321	6,857
Total receivables	**16,321**	**1,736,676**

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

12 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

	2022	2021
	€	€
Cash at bank	64,972	1,381
	64,972	**1,381**

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

13 Share capital

The share capital of Smartcare Finance p.l.c. consists of only ordinary shares with a par value of €1 each. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholder's meeting of the Company.

	2022	2021
	€	€
Shares issued and fully paid at 31 December		
250,000 Ordinary shares at € 1 each	**250,000**	**250,000**
Shares authorised at 31 December		
250,000 Ordinary shares at € 1 each	**250,000**	**250,000**

14 Debt securities in issue

	2022	2021
	€	€
Opening balance	13,000,000	5,000,000
Bond issue during the year	7,500,000	13,000,000
Redemption of bond	-	(5,000,000)
Bond issue costs	(990,619)	(655,531)
Amortisation of bond issue costs	156,248	79,525
	19,665,629	**12,423,994**

At year end, the Company had a balance of €19,665,629 (2021: € 12,423,994) from the two bond issues of €13 million 4.65% bonds of €100 nominal value each, redeemable at par in 2031, and €7.5 million 4.65% bonds of €100 nominal value each, redeemable at par in 2032. The amount as at 31 December 2022 is made up of both bond issues totalling €20.5 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 and 23 August 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 € 35,500 (2021: € 25,500) were held by a company director.

15 Loan payable

	2022	2021
	€	€
Loans from group companies	1,050,723	-
Loans from parent	1,428,494	
	2,479,217	**-**

16 Trade and other payables

	2022	2021
	€	€
Trade payables	13,041	64,848
Amount due to parent company	-	1,421,550
Amount due to company under common control	-	12,393
Amount due to group company	-	189,947
Accruals	616,557	428,287
Total trade and other payables	**629,598**	**2,117,025**

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

17 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 before tax to arrive at operating cash flow:

	2022	2021
	€	€
Adjustments:		
Amortisation of bond issue costs	76,723	55,918
Impairment loss on financial assets	-	10,873
Dividends from subsidiary	(1,170,000)	(358,960)
Interest on debt securities in issue	765,126	471,749
Interest income on loans receivable	-	(298,277)
	(328,151)	**(118,697)**
Net changes in working capital:		
Receivables	1,729,819	(958,776)
Trade and other payables	(1,505,560)	1,511,710
	224,259	**552,934**

18 Related party transactions

Smartcare Finance p.l.c. forms part of the Smartcare Group of Companies.

The Company's parent company is Smartcare Holdings Ltd. The ultimate beneficial owner of Smartcare Finance p.l.c is Mr Andrew Debattista Segond.

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

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash. Amounts due from/to related parties are disclosed in notes 10, 11, 15 and 16, respectively. Transactions with directors are disclosed in notes 7 and 14.

18.1 Transactions with related parties

	2022	2021
	€	€

Interest income from parent company	-	15,600
Interest income from group companies	-	282,677
Re-charges from group company	20,895	21,650

19 Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 19.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

19.1 Credit risk

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

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

	Notes	2022 €	2021 €
Classes of financial assets – carrying amounts			
Financial assets at amortised cost:			
Loans receivable	10	2,788,602	-
Trade and other receivables	11	-	1,729,819
Cash and cash equivalents	12	64,972	1,381
		2,853,574	**1,731,200**

Credit risk management

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

The company banks with local institutions. At 31 December 2022, cash and cash equivalents amounting to € 64,972 (2021: € 1,381) are held with local counterparties and are callable on demand. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be insignificant to the company.

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

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

Based on the length of time a receivable is outstanding, the debtor's payment history as well as current and forward-looking information on macroeconomic factors affecting the debtor's ability to pay, management concluded that the credit quality of receivables including those that are past due but not impaired to be good. The Company provided for an expected credit loss on its related party balances amounting to €16,663 (2021: €16,663).

19.2 Liquidity risk

As at 31 December 2022 and 2021, the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2021	Current within 1 year €	Non-current 2 to 5 years €	later than 5 years €
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	2,117,025	-	-
	2,721,525	**1,813,500**	**16,627,000**

31 December 2022	Current within 1 year €	Non-current 2 to 5 years €	later than 5 years €
Debt securities in issue	-	-	20,500,000
Interest on debt securities in issue	953,250	2,859,750	5,719,500
Trade and other payables	629,598	-	-
	1,582,848	**2,859,750**	**26,219,500**

19.3 Market risk

Foreign currency risk

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

Interest rate risk

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

19.4 Summary of financial assts and liabilities by category

The carrying amounts of the Company's financial assets and liabilities are recognised at the end of the reporting periods may also be categorised as follows. See note 4.7 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	2022 €	2021 €
Non-current assets			
Financial assets at amortised cost:			
- Loans receivable	10	2,788,602	-
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	11	-	1,729,819
- Cash and cash equivalents	12	64,972	1,381
		64,972	**1,731,200**
Non-current liabilities			
Financial liabilities at amortised cost:			
- Debt securities in issue	14	19,665,629	12,423,994
- Loans payable	15	2,479,217	-
		22,144,846	**12,423,994**
Current liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	16	**629,598**	**2,117,025**

20 Capital management policies and procedures

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

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

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

21 Post-reporting date events

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

Independent auditor's report

To the shareholders of Smartcare Finance p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Finance p.l.c. which comprise the statement of financial position as at 31 December 2022, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. Total remuneration payable to the Company's auditors in respect of the audit of the Company's financial statements amounted to €6,200.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial assets at amortised cost

Key audit matter

The Company acts as the main finance vehicle of the Smartcare Group. Financial assets at amortised cost, are comprised of loans due to related parties.

How the key audit matter was addressed in our audit

Financial assets at amortised cost were checked and confirmed with the financial information of the respective related parties and related agreements. We also checked the financial situation of the related parties to ensure that there are no recoverability issues.

Debt securities in issue

Key audit matter

The Company's main liability is with respect to the payment of interest and repayment of debt securities in issue.

How the key audit matter was addressed in our audit

We ensured that the debt securities issued during the year were used according to the terms of the Prospectus. We also ensured that that capitalisation of bond issue costs and amortisation of debt securities in issue was in accordance with the Company's accounting policies. We also considered the Company's liquidity risk, to ensure that the Company can meet these obligations as they fall due.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report 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 directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with the Act.

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

Responsibilities of those charged with governance for the financial statements

The directors 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability if the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Report and Financial Statements of Smartcare Finance p.l.c. for the year ended 31 December 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Report and Financial Statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Report and Financial Statements, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Report and Financial Statements, in accordance with the requirements of the ESEF RTS.

- Obtaining the Report and Financial Statements and performing validations to determine whether the Report and Financial Statements have been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Report and Financial Statements for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Report on the statement of compliance with the Principles of Good Corporate Governance

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in their Annual Report a corporate governance statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Capital Markets Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement has been properly prepared in accordance with the requirements of the Capital Markets Rules.

Other matters on which we are required to report by exception

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, or that returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- we have not received all the information and explanations we require for our audit; or

- certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

In terms of the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Auditor tenure

This is the third year wherein we are acting as auditors. Our appointment will be renewed annually by shareholder's resolution.

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

GRANT THORNTON
Certified Public Accountants

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

24 April 2023