

Smartcare Pinto Ltd

Report & Financial Statements

31 December 2020

Company registration number: C 86395

Contents

Director's report	2
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Independent auditor's report	27

Director's report

The director presents his report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The company's principal activity is to acquire, develop and operate an old people's home.

Review of the business

The company registered a profit before tax of € 84,756 (2019: loss € 586,842) during the year under review. The improved results compared to prior year were due to a full year of revenue derived from the Active Ageing & Community Care Department contract which was signed in May 2019, and also due to a new service contract entered into with the Ministry of Health during the year. The director expects similar or better results in the foreseeable future.

Results and dividends

The results for the year are set out in the statement of comprehensive income on page 4. The director does not recommend the payment of a dividend.

Director

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

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

Disclosure of information to the auditor

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

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

Statement of director's responsibilities

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

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

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

Auditor

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



Andrew Debattista Segond
Director

Registered address:
326, Mdina Road
Qormi
Malta

27 April 2021

Statement of comprehensive income

	Notes	2020 €	2019 €
Revenue	5	2,380,113	569,272
Cost of sales		(1,256,303)	(444,353)
Gross profit		1,123,810	124,919
Other income		7,714	720
Administrative expenses		(753,803)	(505,973)
Credit impairment loss		(7,235)	(526)
Operating profit (loss)		370,486	(380,860)
Finance costs	7	(285,730)	(205,982)
Profit (loss) before tax	8	84,756	(586,842)
Tax (expense) income	9	(15,390)	162,806
Profit (loss) for the year		69,366	(424,036)
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Revaluation of property, plant and equipment		10,232,639	2,535,890
Tax effect on revaluation of property, plant and equipment		(1,157,201)	-
Other comprehensive income for the year		9,075,438	2,535,890
Total comprehensive income for the year		9,144,804	2,111,854


Statement of financial position

	Notes	2020 €	2019 €
Assets			
Non-current			
Deferred tax asset	9	-	162,806
Property, plant and equipment	10	15,452,233	5,454,920
Intangible assets	11	11,848	20,924
		15,464,081	5,638,650
Current			
Trade and other receivables	12	1,639,593	293,324
Cash and cash equivalents	13	16,446	18,873
		1,656,039	312,197
Total assets		17,120,120	5,950,847

Statement of financial position – continued

	Notes	2020 €	2019 €
Equity			
Share capital	14	1,200	1,200
Revaluation reserve		11,587,019	2,511,581
Accumulated losses		(641,068)	(710,434)
Total equity		10,947,151	1,802,347
Liabilities			
Non-current			
Deferred tax liabilities	9	1,009,785	-
Borrowings	16	3,420,000	3,420,000
		4,429,785	3,420,000
Current			
Borrowings	16	232,857	-
Trade and other payables	15	1,510,327	728,500
		1,743,184	728,500
Total liabilities		6,172,969	4,148,500
Total equity and liabilities		17,120,120	5,950,847

The financial statements on pages 4 to 26 were approved, authorised for issue and signed by the director on 27 April 2021.


 Andrew Debattista Segond
 Director

Statement of changes in equity

	Share capital €	Accumulated losses €	Revaluation reserve €	Total equity €
At 1 January 2019	1,200	(310,707)	-	(309,507)
Loss for the year	-	(424,036)	-	(424,036)
Other comprehensive income	-	-	2,535,890	2,535,890
Excess depreciation	-	24,309	(24,309)	-
At 31 December 2019	1,200	(710,434)	2,511,581	1,802,347
At 1 January 2020	1,200	(710,434)	2,511,581	1,802,347
Profit for the year	-	69,366	-	69,366
Other comprehensive income	-	-	9,075,438	9,075,438
Excess depreciation	-	26,494	(26,494)	-
At 31 December 2020	1,200	(614,574)	11,560,525	10,947,151

Statement of cash flows

	Notes	2020 €	2019 €
Operating activities			
Profit (loss) before tax		84,756	(586,842)
Adjustments	17	546,902	448,888
Net changes in working capital	17	(571,677)	(609,111)
Net cash generated from (used in) operating activities		59,981	(747,065)
Investing activities			
Acquisition of property, plant and equipment	10	(9,535)	(689,905)
Acquisition of intangible assets	11	-	(11,092)
Net cash used in investing activities		(9,535)	(700,997)
Financing activities			
Proceeds from related party		-	3,420,000
Payments to bank borrowings		-	(1,747,083)
Interest payments		(285,730)	(205,982)
Net cash (used in) generated from financing activities		(285,730)	1,466,935
Net increase in cash and cash equivalents		(235,284)	18,873
Cash and cash equivalents, beginning of year	13	18,873	-
Cash and cash equivalents, end of year	13	(216,411)	18,873

Notes to the financial statements

1 Nature of operations

The company's principal activity is to acquire, develop and operate a care home.

2 Basis of preparation

2.1 General information and statement of compliance with IFRS

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

A group restructuring took place during the year, whereby the former parent company, Smartcare Holdings Ltd, transferred its shareholding in the company to Smartcare Group Investments Ltd. Smartcare Holdings Ltd became the ultimate parent company, while Smartcare Group Investments Ltd is the immediate parent company. Both parent companies have the same place of incorporation and registered address as the company. The ultimate beneficial owner of Smartcare Pinto Ltd is Mr Andrew Debatista Segond.

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (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.

2.2 Consideration of the effects of COVID-19

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

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

The director believes that it is still too premature to assess the impact which the pandemic may have on the company's financial performance. He continues to monitor the situation closely and albeit having a cautious outlook, he believes that the worst has now been surpassed. The director considers the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation

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

3 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 and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards 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. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed 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 the previous year.

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

4.2 Revenue

Revenue is derived from services provided at the care home.

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

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

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

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

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

4.3 Expenses

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

4.4 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.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

4.5 Employee benefits

Contributions towards the state pension in accordance with local legislation are recognised in the statement of comprehensive income when they are due.

4.6 Borrowing costs

Borrowing costs primarily comprise interest on the company's borrowings. Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings. All other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.7 Intangible assets

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

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

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

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

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

4.8 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and

the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

4.9 Impairment testing on tangible and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment losses are recognised immediately in the statement of comprehensive income. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4.10 Financial instrument

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 statement of comprehensive income are presented within 'finance income or finance cost', except for impairment of receivables which is presented within 'credit impairment loss'.

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 included trade and other receivables.

The company considers a broader 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.

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other 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 borrowings.

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'.

4.11 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.

4.12 Cash and cash equivalents

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

4.13 Equity, reserves and dividend distributions

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

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

The revaluation reserve represents the surpluses arising on the revaluation of the company's land, building and mechanical and electrical installations, net of related deferred tax effects. The revaluation reserve is not available for distribution.

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.

4.14 Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the 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.

4.15 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 judgements

Recognition of deferred taxes

The extent to which deferred taxes can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred taxes can be utilised (see note 4.10)

Measurement of the expected credit losses

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

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

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

Estimation uncertainty

Impairment of property, plant and equipment and intangible assets

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

Useful lives of depreciable assets

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

Fair value measurement

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

5 Revenue

	2020	2019
	€	€
Revenue from care home	<u>2,380,113</u>	<u>569,272</u>

6 Staff costs

	2020	2019
	€	€
Wages and salaries	1,226,908	548,925
Social security costs	81,476	25,482
Director's remuneration	102,694	85,084
Re-charged to related parties	(274,774)	(168,971)
	<u>1,136,304</u>	<u>490,520</u>
Average number of employees	<u>62</u>	<u>34</u>

7 Finance costs

Finance costs may be analysed as follows:

	2020	2019
	€	€
Interest on related party loan	273,600	166,409
Interest on bank borrowings	6,238	39,573
Other interest	5,892	-
	<u>285,730</u>	<u>205,982</u>

8 Profit (loss) before tax

The profit (loss) before tax is stated after charging:

	2020	2019
	€	€
Amortisation on intangible assets	9,076	9,076
Depreciation on property, plant and equipment	244,861	233,304
Auditor's remuneration	4,000	3,720
Director's remuneration	102,694	85,084

9 Tax (expense) income

The relationship between the expected tax (expense) income based on the effective tax rate of the company at 35% (2019: 35%) and the tax (expense) actually recognised in the statement of comprehensive income can be reconciled as follows:

	2020	2019
	€	€
Profit (loss) before tax	84,756	(586,842)
Tax rate	35%	35%
Expected tax (expense) income	<u>(29,665)</u>	<u>205,394</u>
Non-deductible expenses	(4,594)	(576)
Group losses surrendered	-	(21,000)
Unabsorbed trading losses	-	(21,012)
Other permanent difference	(21,588)	-
Under provision of deferred tax asset in prior year	40,457	-
Actual tax (expense) income, net	<u>(15,390)</u>	<u>162,806</u>
Comprising:		
Deferred tax (expense) income	<u>(15,390)</u>	<u>162,806</u>

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

	2020	2019
	€	€
Non-current assets		
Property, plant and equipment	(1,161,869)	(10,657)
Current assets		
Trade and other receivables	2,716	-
Unused tax losses and unabsorbed capital allowances	149,368	173,463
Deferred tax (liabilities) assets	<u>(1,009,785)</u>	<u>162,806</u>

The movement can be analysed as follows:

Movement for the year	<u>(1,172,591)</u>	<u>162,806</u>
Recognised directly in equity:		
Deferred tax on revaluation of property, plant and equipment	<u>(1,157,201)</u>	-
Recognised in profit or loss:		
Deferred tax on trade and other receivables	2,716	-
Deferred tax on property, plant and equipment	5,989	(10,657)
Unused tax on unused tax losses and unabsorbed capital allowances	<u>(24,095)</u>	<u>173,463</u>
	<u>(15,390)</u>	<u>162,806</u>
	<u>(1,172,591)</u>	<u>162,806</u>

10 Property, plant and equipment

	Land €	Buildings €	Mechanical & electrical installations €	Medical equipment €	Furniture and fittings €	Hardware €	Motor vehicles €	Other equipment €	Total €
Cost									
At 1 January 2019	1,496,967	110,298	330,895	472,707	109,038	45,380	-	32,774	2,598,059
Additions	6,400	90,475	194,105	277,293	63,962	26,620	11,824	19,226	689,905
Revaluation	2,400,260	-	-	-	-	-	-	-	2,400,260
At 31 December 2019	3,903,627	200,773	525,000	750,000	173,000	72,000	11,824	52,000	5,688,224
Depreciation									
At 1 January 2019	-	2,206	23,163	80,360	10,904	7,715	-	6,555	130,903
Depreciation	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	233,304
Revaluation	-	(2,206)	(23,163)	(80,360)	(10,904)	(7,715)	-	(6,555)	(130,903)
At 31 December 2019	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	233,304
Cost									
At 1 January 2020	3,903,627	200,773	525,000	750,000	173,000	72,000	11,824	52,000	5,688,224
Additions	-	9,535	-	-	-	-	-	-	9,535
Revaluation	10,161,065	-	-	-	-	-	-	-	10,161,065
At 31 December 2020	14,064,692	210,308	525,000	750,000	173,000	72,000	11,824	52,000	15,858,824
Depreciation									
At 1 January 2020	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	233,304
Depreciation	-	4,073	52,590	141,681	18,512	13,601	2,365	12,039	244,861
Revaluation	-	(6,731)	(64,843)	-	-	-	-	-	(71,574)
At 31 December 2020	-	1,403	26,250	285,679	37,027	27,424	4,730	24,078	406,591
Carrying amount									
At 31 December 2019	3,903,627	196,712	486,497	606,002	154,485	58,177	9,459	39,961	5,454,920
At 31 December 2020	14,064,692	208,905	498,750	464,321	135,973	44,576	7,094	27,922	15,452,233

The carrying amounts of the revalued land, buildings and mechanical and electrical installations if the cost model had been used would be €2,125,068 (2019: €2,159,652).

11 Intangible assets

	2020 €	2019 €
Cost		
1 January	30,000	18,908
Additions	-	11,092
31 December	<u>30,000</u>	<u>30,000</u>
Amortisation		
1 January	9,076	4,727
Charge for the year	9,076	9,076
Revaluation	-	(4,727)
31 December	<u>18,152</u>	<u>9,076</u>
Carrying amount 31 December	<u>11,848</u>	<u>20,924</u>

12 Trade and other receivables

	2020 €	2019 €
Trade receivables	114,169	92,246
Amounts due from related parties	1,272,377	17,017
Estimated credit loss	(7,761)	(526)
Trade and other receivable – net	<u>1,378,785</u>	<u>108,737</u>
Accrued income	188,874	176,875
Other receivables	-	49
Financial assets	<u>1,567,659</u>	<u>285,661</u>
Deposit on promise of sale	65,200	-
Prepayments	6,734	7,663
	<u>1,639,593</u>	<u>293,324</u>

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

Amounts due from related parties are unsecured, interest-free and repayable upon demand.

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

The movement in the expected credit losses is presented below:

	2020 €	2019 €
Balance at 1 January	526	-
Provision for expected credit loss	7,235	526
Balance at 31 December	<u>7,761</u>	<u>526</u>

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

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

13 Cash and cash equivalents

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

	2020 €	2019 €
Cash at bank	16,446	18,873
Cash and cash equivalents in the statement of financial position	<u>16,446</u>	<u>18,873</u>
Bank overdraft	(232,857)	-
Cash and cash equivalents in the statement of cash flows	<u>(216,411)</u>	<u>18,873</u>

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

14 Share capital

The share capital of Smartcare Pinto Ltd 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.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
1,200 ordinary shares of € 1 each	<u>1,200</u>	<u>1,200</u>
Shares authorised at 31 December		
1,200 ordinary shares of € 1 each	<u>1,200</u>	<u>1,200</u>

15 Trade and other payables

	2020 €	2019 €
Trade payables	446,922	75,164
Amount due to parent company	-	85
Amount due to intermediate parent company	279,298	-
Amount due to fellow subsidiary company	286,772	301,316
Accruals	44,948	207,227
Financial liabilities	<u>1,057,940</u>	<u>583,792</u>
Other payables	452,387	144,708
Trade and other payables	<u>1,510,327</u>	<u>728,500</u>

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

Amounts due to related parties are unsecured, interest free and are repayable on demand.

16 Borrowings

	2020	2019
	€	€
Loan due to intermediate parent company	3,420,000	3,420,000
Bank overdraft	232,857	-
Financial liabilities	3,652,857	3,420,000
Comprising:		
Current	232,857	-
Non-current	3,420,000	3,420,000
	3,652,857	3,420,000

Loan due to intermediate parent company bears interest at 8% per annum and repayable in 2029.

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 (loss) before tax to arrive at operating cash flow:

	2020	2019
	€	€
Adjustments:		
Depreciation on property plant and equipment	244,861	233,304
Amortisation on intangible assets	9,076	9,076
Provision for expected credit losses	7,235	526
Interest expense	285,730	205,982
Financial liabilities	546,902	448,888
Net changes in working capital:		
Trade and other receivables	(1,074,206)	(117,355)
Trade and other payables	502,529	(491,756)
	(571,677)	(609,111)

18 Related party transactions

Smartcare Pinto Ltd forms part of the Smartcare Group of Companies.

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 incorporate 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 12, 15 and 16.

18.1 Transactions with related parties

	2020 €	2019 €
Interest expense to intermediate parent company	273,600	-
Interest expense to fellow subsidiary company	-	166,409
Re-charges to intermediate parent company	21,063	-
Re-charges to fellow subsidiary companies	1,002	-
Re-charges to companies under common control	237,105	137,878

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. The company regularly reviews its management policies and systems 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 define risks 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 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	2020 €	2019 €
Classes of financial assets – carrying amounts			
Trade and other receivables	12	1,567,659	285,661
Cash and cash equivalents	13	16,446	18,873
		<u>1,584,105</u>	<u>304,534</u>

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

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

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

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

Based on the length of time a trade receivable is outstanding, customer's payment history as well as current and forward-looking information on macroeconomic factors affecting the customer's ability to pay,

management concluded that the credit quality of trade receivables including those that are past due but not impaired to be good. The company provided for an expected credit loss on its related party balances amounting to € 7,761 (2019: €526) since the company's main trade receivables have not defaulted any payments.

19.2 Liquidity risk

As at 31 December 2020 and 2019, the company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current €	Non-current	
		2 to 5 years €	later than 5 years €
31 December 2020			
Loan due to intermediate parent company	-	-	3,420,000
Interest on loan due to intermediate parent company	273,600	1,094,400	1,094,400
Bank overdraft	232,857	-	-
Trade and other payables	1,057,940	-	-
	1,564,397	1,094,400	4,514,400

	Current €	Non-current	
		2 to 5 years €	later than 5 years €
31 December 2019			
Loan due to fellow subsidiary	-	-	3,420,000
Interest on loan due to fellow subsidiary company	273,600	1,094,400	1,368,000
Trade and other payables	583,792	-	-
	857,392	1,094,400	4,788,000

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's interest-bearing loan from the intermediate parent company is at a fixed rate and therefore not exposed to interest rate risk. The company does not have any other significant banking or interest-bearing borrowing facilities at a variable rate.

19.4 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities are recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.9 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	2020 €	2019 €
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	12	1,567,659	285,661
- Cash and cash equivalents	13	16,446	18,873
		1,584,105	304,534
Current liabilities			
Financial assets at amortised cost:			
- Trade and other payables	15	1,057,940	583,792
- Borrowings	16	232,857	-
		1,290,797	583,792
Non-current liabilities			
Financial assets at amortised cost:			
- Borrowings	16	3,420,000	3,420,000

20 Fair value measurement

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

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

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

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

2020	Level 1	Level 2	Level 3
	€	€	€
Property, plant and equipment	-	-	14,800,000
2019	Level 1	Level 2	Level 3
	€	€	€
Property, plant and equipment	-	-	5,676,400

The fair value of the land, building and mechanical and electrical installations at 31 December 2020 has been arrived at on the basis of a valuation carried out by independent valuers not related to the company with appropriate qualifications and experience in the valuation of properties in Malta. The fair value of the land, building and mechanical and electrical is based on the estimated market value of the care home as per architect's valuation dated 27 August 2020.

21 Contingent liabilities

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

22 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.

23 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 shareholder of Smartcare Pinto Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Pinto Ltd set out on pages 4 to 26 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cashflows and notes to the financial statements for the year then ended, 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the director's report has been prepared in accordance with the Act.

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

Responsibilities of those charged with governance for the financial statements

The director is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap. 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

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



Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malta

27 April 2021

Income statement

	Page	2020	2019
		€	€
Revenue		2,380,113	569,272
Cost of sales	31	(1,256,303)	(444,353)
Gross profit		1,223,810	124,919
Other income		7,714	720
Administrative expenses	31	(753,803)	(505,973)
Credit impairment loss		(7,235)	(526)
Operating profit (loss)		370,486	(380,860)
Finance costs		(285,730)	(205,982)
Profit (loss) before tax		84,756	(586,842)

Income statement schedules

	2020	2019
	€	€
Cost of sales - page 30		
Wages and salaries	748,199	315,122
Consumables and others	428,571	99,982
Subcontracted labour	12,824	1,424
Utilities expenses	66,709	27,825
	1,256,303	444,353
Administrative expenses – page 30		
Wages and salaries	581,403	318,887
Social security costs	81,476	25,483
Other staff costs	8,798	29,932
Licenses and permits	225	170
Insurance	9,101	7,426
Printing, postage and stationery	5,820	2,298
Telecommunications	12,787	-
Health and security	41,893	24,981
Professional fees	9,012	19,881
Bank charges	3,970	1,797
Fines and penalties	-	1,118
Depreciation and amortisation	253,937	242,380
Expense re-charges	(274,774)	(168,971)
Other expenses	20,155	591
	753,803	505,973