

Smartcare Finance p.l.c.

Report & Financial Statements

31 December 2020

Company Registration Number: C 90123

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activity

The company was formed principally to act as a finance and investment company, in particular to finance or re-finance the funding requirements of related companies within the Smartcare Group of Companies.

Review of business

The company made a profit before tax of € 57,658 (2019: € 23,480) for the year ended 31 December 2020.

Interest income from related parties amounted to € 384,000 (2019: € 233,556) while interest paid on debt securities in issue amounted to €250,000 (2019: €152,024). During the year under review, the company registered a net profit after taxation of € 31,332 (2019: € 23,480). The resulting earnings per share for the year under review amount to € 0.13 (2019: € 0.49) per share.

Principal risks and uncertainties

The company is exposed to risks inherent to its operation and can be summarised as follows:

1. Strategy Risk

Risk management falls under the responsibility of the Board of Directors. The Board is continuously analysing its risk management strategy to ensure that risk is adequately identified and managed.

2. Operational Risks

The company's revenue is mainly derived from interest charges and hence the company is heavily dependent on the performance of the Smartcare Group. The company regularly reviews the financial performance of Smartcare Group of Companies to ensure that there is sufficient liquidity to sustain its operations.

3. Legislative risks

The company is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the company's ability to operate. The company has embedded operating policies and procedures to ensure compliance with existing legislation.

Results and dividends

The results for the year are set out in the income statement on page 11. Dividends amounting to €20,000 were declared during the year.

Future developments

The company is not envisaging any changes in operating activities for the forthcoming year.

Directors

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

Mr Andrew Debattista Segond
Mr Norval Desira (resigned on 18 January 2021)
Mr William Wait
Mr Ian Joseph Stafrace
Mr Arthur Gauci (appointed on 18 January 2021)
Mr Keith Fenech (appointed on 22 May 2020 and resigned on 9 November 2020)
Mr Sandro Grech (appointed on 9 November 2020)

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

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.



Andrew Debattista Segond
Director

Registered address:
326, Mdina Road
Qormi
Malta



Ian Joseph Stafrace
Director

27 April 2021

Corporate governance - statement of compliance

Preliminary

The Prospect Rules by the Malta Stock Exchange require qualifying companies admitted to the listing venue to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the “Code”).

The Board of Directors (the “Board”) of Smartcare Finance p.l.c. (the “company”) notes that the Code does not prescribe mandatory rules. It does, however, recommend principles of good practice, and accordingly the board acknowledges that it is in the interest of the company and its stakeholders to adhere to governance standards to the extent that these are relevant to the company, taking its size and the nature of its business.

The company’s decision-making structure is designed to meet the company requirements and to ascertain that decision making is subject to the checks and balances where this is appropriate.

Companies admitted to Prospects are required to include, in their Annual Report, a directors’ statement of the extent to which the company has adopted the Code of Principles of Good Corporate Governance.

This Corporate Governance Statement (the “Statement”) will set out the structures and processes in place within the company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the directors believe that these have been adhered to, and where it has not.

Compliance with the Code

Principle 1: The board

Throughout the year under review, the board has provided the necessary leadership in the overall direction of the company and the administration of its resources to enhance the prosperity of the business over time, and therefore the value of the shareholders’ investment.

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. 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 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 and also ensures 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.

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, taking into account the size of the company, its operations, its business risks and key performance indicators. The combined and varied knowledge, experience and skills of the board members provide a balance of competencies that are required and add value to the proper functioning of the board. The composition of the board is as follows:

Executive Directors

Mr Andrew Debatista Segond
Mr William Wait (Chairman)

Independent Non-Executive Directors

Dr Ian Joseph Strafrace
Mr Sandro Grech
Mr Arthur Gauci

None of the independent non-executive directors:

- 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.

The company has a majority of non-executive directors on the board.

Principle 4 and 5: The responsibilities of the board, and board meetings

The board

The board of directors of the company is responsible for the overall long-term direction 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.

Meetings of the board

The board aims to meet a minimum of four times every calendar year.

Board meetings are attended by Dr Katia Cachia who is the company secretary. 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. All the directors have access to the company's corporate advisors at the company's expense should they so require.

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 director 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.

Audit committee

The board established an Audit Committee (the "Committee"). The members of the committee are:

Dr Ian Joseph Stafrace – Chairman
Mr Arthur Gauci
Mr Sandro Grech

The members of the committee have discussed various matters during the meetings held in 2020 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 trade 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.

Attendance of board and committee meetings

During the year under review the board held 5 meetings and the audit committee held 4 meetings. The board and committee members attended all the meetings held during the pendency of their appointments.

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 7: Evaluation of the board's performance

The board believes that its current composition endows the board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. In view of the size and nature of the company, it was not considered necessary to carry out a formal evaluation of the board's performance.

Principle 8: Remuneration and nomination committees

In view of the present circumstances, the company does not consider the appointment of a Remuneration Committee to be necessary. With respect to the Nomination Committee, the Board believes that the main principle has been duly complied with, since a formal and transparent procedure for the appointment of Directors has been established in the company's Articles of Association.

Principle 9 and 10: Relations with shareholders and with the market, and institutional shareholders

The company recognises the importance of keeping investors informed to ensure that they are able to make informed investment decisions.

The company communicates with the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of company announcements to the market in general when necessary.

These reports are also available on the company's website which also contains information about the company. The company's website also contains an 'Investor relations' section which includes press releases and investor information sub-sections.

The general meeting is the highest decision-making body of the company and is regulated by the company's Articles of Association. All shareholders registered on the register of members of the company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by fourteen (14) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheet and the reports of the directors and the auditors, the election of directors, the appointment of auditors and the fixing of remuneration of directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "special business".

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder.

Shareholders who cannot participate in the general meeting may appoint a proxy. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such purpose.

Principle 11: Conflicts of interest

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 on-going 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. There were no such matters in the year under review.

The directors are informed of their obligations on dealing in securities of the company within the parameters of the law and subsidiary legislation, as well as the Prospects Rules.

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 1: The company's chairman and chief executive

As explained above, the company does not employ a CEO due to its lean operating structure. Despite this, the company feels that its current organisational structure is appropriate for the size of the company's operations.

Principle 2: Composition of the board

The company does have a majority of non-executive directors appointed to the Board, it does not at this stage, have a majority of independent directors. Given the circumstances of the company's business and shareholding, full adherence to this principle is not necessary.

Principle 3: Responsibility of the board

For the purposes of Principle 4(e), while the Board reports that for the year under review it has not organised any information sessions as set out in that provision, during its meetings the Board regularly discusses the company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.

Principle 4: Board meetings

Given the nature and the scale of the company's business and activities, it has not yet been necessary to set procedures to determine the frequency, purpose, conduct and duration of meetings.

Notwithstanding this, the company has set regular periodic meetings, and these have always been attended by the executive and non-executive directors in accordance with the terms of the company's Articles of Association.

Principle 5: Information and professional development

Given the company's size and the nature of its activities, full adherence to this principle is not considered necessary.

The company is of the view that a succession plan for senior management is not necessary, and that its current operational structures are adequate.

The directors will re-visit this, should the demands placed on the Board and the company's operations structure become more cumbersome over time.

Principle 6: Evaluation of the board's performance

In view of the size and nature of the company, it was not considered necessary to carry out an evaluation of the Board's performance.

Principle 7: Remuneration and nomination committees

Under the present circumstances, the company does not consider it necessary to appoint a Remuneration Committee and a Nomination Committee as decisions on these matters are more adequately taken by the company's Board and at shareholders' level.

Principle 8: Relations with shareholders and with the market

Currently there is no established mechanism disclosed in the company's Memorandum and Articles of Association, as recommended in Code Provision 9(k), to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Board believes, taking into account the current shareholder profile, the measures currently available for shareholders, such as the right to ask questions, and the continuous dialogue with shareholders provide the necessary safeguards.

Approved by the board of directors on 27 April 2021 and signed on its behalf by:



Andrew Debattista Segond
Director



Ian Joseph Stafrace
Director

Income statement

	Notes	2020 €	2019 11 ¾ months €
Revenue	5	384,000	233,556
Administrative expenses		(58,784)	(46,212)
Income before finance charges		325,216	187,344
Finance costs	6	(265,012)	(160,620)
Impairment loss on financial assets	12	(2,546)	(3,244)
Profit before tax	7	57,658	23,480
Income tax expense	8	(26,326)	-
Profit for the year/period		31,332	23,480

Statement of financial position

	Notes	2020 €	2019 €
Assets			
Non-current			
Investment in subsidiary	9	1,200	-
Loan receivable	10	4,800,000	4,800,000
Deferred expenditure	11	157,209	-
		4,958,409	4,800,000
Current			
Trade and other receivables	12	547,195	309,744
Cash and cash equivalents	13	874	5,611
		548,069	315,355
Total assets		5,506,478	5,115,355

Statement of financial position - continued

	Notes	2020 €	2019 €
Equity			
Share capital	14	250,000	48,000
Retained earnings		34,812	23,480
Total equity		284,812	71,480
Liabilities			
Non-current			
Debt securities in issue	15	4,873,491	4,858,479
		4,873,491	4,858,479
Current			
Trade and other payables	16	321,849	185,396
Tax payable		26,326	-
		348,175	185,396
Total liabilities		5,221,666	5,043,875
Total equity and liabilities		5,506,478	5,115,355

The financial statements on pages 4 to 28 were approved by the Board of Directors, authorised for issue on 27 April 2021 and signed on its behalf by:

Andrew Debattista Segond
Director

Ian Joseph Stafrace
Director

Statement of changes in equity

	Share capital	Retained earnings €	Total equity €
<i>Transaction with owners:</i>			
Issue of share capital	48,000	-	48,000
Profit for the period	-	23,480	23,480
At 31 December 2019	48,000	23,480	71,480
At 1 January 2020	48,000	23,480	71,480
<i>Transaction with owners:</i>			
Issue of share capital	202,000	-	202,000
Dividends declared	-	(20,000)	(20,000)
Profit for the year	-	31,332	31,332
At 31 December 2020	250,000	34,812	284,812

Statement of cash flows

	Note	2020 €	2019 €
Operating activities			
Profit before tax		57,658	23,480
Adjustments	17	(116,442)	(69,692)
Net changes in working capital	17	(312,309)	105,964
Net cash (used in) generated from operating activities		(371,093)	59,752
Investing activities			
Loans issued to related parties		-	(4,800,000)
Payment to acquire subsidiary		(1,200)	-
Interest received		617,556	-
Net cash generated from (used in) investing activities		616,356	(4,800,000)
Financing activities			
Proceeds from issue of share capital		-	48,000
Proceeds from issue of bond		-	4,849,883
Interest paid		(250,000)	(152,024)
Net cash (used in) generated from financing activities		(250,000)	4,745,859
Net increase in cash and cash equivalents		(4,737)	5,611
Cash and cash equivalents, beginning of year		5,611	-
Cash and cash equivalents, end of year	13	874	5,611

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 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 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 directors' position was that the health and well-being of the employees was and will remain of paramount concern.

The directors believe that it is still too premature to assess the impact which the pandemic may have on the company's financial performance. They continue to monitor the situation closely and albeit having a cautious outlook they believe that the worst has now been surpassed. The directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorization.

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 previous year.

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.

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

4.6 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 '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 new requirements included most 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.

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 their 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

	2020	2019
	€	11 ¾ months €
Interest income from group companies	384,000	233,556

6 Finance costs

Finance costs may be analysed as follows:

	2020	2019
	€	11 ¾ months €
Interest on debt securities in issue	250,000	152,024
Amortisation of bond issue costs	15,012	8,596
	<u>265,012</u>	<u>160,620</u>

7 Profit before tax

Profit before tax is stated after charging:

	2020	2019
	€	11 ¾ months €
Auditor's remuneration	6,000	5,310
Directors' fees	21,140	37,857

8 Income tax expense

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

	2020	2019
	€	11 ¾ months €
Profit before tax	57,658	23,480
Tax rate	35%	35%
Expected tax expense	(20,180)	(8,218)
Disallowed expenses	(6,146)	(1,873)
Non-deductible expenses	-	(18)
Group losses claimed	-	10,109
Actual tax expense, net	(26,326)	-

9 Investment in subsidiary

	2020	2019
	€	€
At 31 December	1,200	-

The company has an unquoted investment in the following subsidiary:

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

On 16 October 2020, the company acquired 1,200 shares at € 1 each in Smartcare Group Investments Ltd. These represent 100% of the total issued shares of the investee.

In 2020, 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	Non-trading	100
Segond Boutique Hotels Limited	Non-trading	100
Smartcare Pinto Limited	Care home service	100
Smartcare Properties Limited	Develop and sell property	100

The registered office of all the above mentioned companies is situated at 326 Mdina Road Qormi, Malta.

10 Loan receivable

	2020 €	2019 €
Loan to parent company	780,000	780,000
Loans to group companies	4,020,000	4,020,000
	<u>4,800,000</u>	<u>4,800,000</u>

The loans are unsecured, bear interest at the rate of 8% per annum and are repayable by 2029.

11 Deferred expenditure

Deferred expenditure pertains to the costs incurred on a bond issued in 2012. These costs will be amortised over the lifetime of the bond starting from financial year ending 31 December 2021.

12 Trade and other receivables

	2020 €	2019 €
Interest receivable from parent and group companies	-	233,556
Amount due from subsidiary	275	-
Amounts due from parent company	100,007	-
Amounts due from group companies	444,925	-
Amounts due from fellow subsidiary company	-	79,432
Estimated credit loss	(5,790)	(3,244)
Financial assets – net	<u>539,417</u>	<u>309,744</u>
Prepayments	7,778	-
Total receivables	<u>547,195</u>	<u>309,744</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 are repayable upon demand.

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:

	2020 €	2019 €
Balance at 1 January	3,244	-
Provision for expected credit loss	2,546	3,244
Balance at 31 December	<u>5,790</u>	<u>3,244</u>

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 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:

	2020 €	2019 €
Cash at bank	<u>874</u>	<u>5,611</u>

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

14 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.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
250,000 (2019:48,000) Ordinary shares at € 1 each	<u>250,000</u>	<u>48,000</u>
Shares authorised at 31 December		
250,000 (2019:48,000) Ordinary shares at € 1 each	<u>250,000</u>	<u>48,000</u>

On 18 August 2020, the shareholder of the company approved the increase in authorised share capital from 48,000 to 250,000 ordinary shares with a nominal value of € 1 each. On the same date, the company issued 202,000 ordinary shares at € 1 each to Smartcare Holdings Ltd, its parent company.

15 Debt securities in issue

	2020 €	2019 €
Bond issue during the year	5,000,000	5,000,000
Bond issue costs	(150,117)	(150,117)
Amortisation of bond issue costs	23,608	8,596
	<u>4,873,491</u>	<u>4,858,479</u>

At year end, the company had a balance of €4,873,491 (2019: € 4,858,479) from the bond issue of € 5 million 5% bonds of €100 nominal value each, redeemable at par in 2029. The amount is made up of the bond issue of € 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 5 June 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.

16 Trade and other payables

	2020 €	2019 €
Trade payables	144,623	10,252
Amount due to parent company	-	17,017
Amount due to company under common control	15,398	-
Accruals	161,828	158,127
Financial liabilities	321,849	185,396

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

Amounts due to parent company and company under common control are unsecured, interest free and are repayable on demand.

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:

	2020 €	2019 €
Adjustments:		
Amortisation of bond issue costs	15,012	8,596
Provision for expected credit losses	2,546	3,244
Interest on debt securities in issue	250,000	152,024
Interest income on loans receivable	(384,000)	(233,556)
	(116,442)	(69,692)
Net changes in working capital:		
Trade and other receivables	(448,762)	(62,416)
Trade and other payables	136,453	168,380
	(312,309)	105,964

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, 12 and 16, respectively. Directors' fees are disclosed in note 7.

18.1 Transactions with related parties

	2020 €	2019 €
Interest income from parent company	62,400	-
Interest income from group companies	321,600	-
Interest income from fellow subsidiary companies	-	233,556
Re-charges from group company	21,063	-

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	2020 €	2019 €
Classes of financial assets – carrying amounts			
Loans receivable	10	4,800,000	4,800,000
Trade and other receivables	12	539,417	309,744
Cash and cash equivalents	13	874	5,611
		5,340,291	5,115,355

Credit risk management

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

Bank balances at year end are 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 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 € 5,790 (2019: €3,244).

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	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
	€	€	€	€
31 December 2020				
Debt securities in issue	-	-	-	5,000,000
Interest on debt securities in issue	250,000	-	1,000,000	847,976
Trade and other payables	321,849	-	-	-
	571,849	-	1,000,000	5,847,976
	Current			Non-current
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
	€	€	€	€
31 December 2019				
Debt securities in issue	-	-	-	5,000,000
Interest on debt securities in issue	250,000	-	1,000,000	1,097,976
Trade and other payables	185,396	-	-	-
	435,396	-	1,000,000	6,097,976

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 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 may also be categorised as follows. See note 4.7 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	2020 €	2019 €
Non-current assets			
Financial assets at amortised cost:			
- Loans receivable	10	<u>4,800,000</u>	<u>4,800,000</u>
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	12	539,417	309,744
- Cash and cash equivalents	13	874	5,611
		<u>540,291</u>	<u>315,355</u>
Non-current liabilities			
Financial assets at amortised cost:			
- Debt securities in issue	15	<u>5,000,000</u>	<u>5,000,000</u>
Current liabilities			
Financial assets at amortised cost:			
- Trade and other payables	16	<u>321,849</u>	<u>185,396</u>

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

On 15 February 2021, the company announced the redemption of its € 5,000,000 5% secured prospects MTF bonds in lieu of the issuance of € 13,000,000 4.65% secured bonds. Trading of the € 5,000,000 prospects MTF bonds was suspended from 17 February 2021. The €13,000,000 4.65% secured bonds were admitted on the Malta Stock Exchange on 30 March 2021 and trading commenced on 1 April 2021.

No other 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. set out on pages 4 to 28 which comprise the statement of financial position as at 31 December 2020, 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 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. 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 € 6,000.

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, which are comprised of loans to related parties, are the largest asset category of the company.

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

Debt securities in issue were reconciled to the terms of the Prospectus. It was ensured 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 shown on pages 2 to 4 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 of 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 the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") 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 Listing 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 set out on pages 5 to 10 has been properly prepared in accordance with the requirements of the Listing 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 Listing 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 first 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.



Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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27 April 2021